



## **NEWCASTLE MUNICIPALITY**

### **ANNUAL FINANCIAL STATEMENTS FOR THE YEAR ENDED JUNE 30, 2016**

# Newcastle Municipality

Annual Financial Statements for the year ended June 30, 2016

## General Information

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### Mayor

Executive Committee

Cllr AF Rehman

Cllr RN Mdluli

Cllr EJC Cronje

Cllr SMB Lukhele

Cllr NS Mathews

Cllr NP Kunene

Cllr RB Ndim

Cllr JA Voster

Cllr M Shunmugan

### Councillors

Cllr MF Zikhali - Speaker

Cllr VV Bam

Cllr MM Bhekiswayo

Cllr MV Buhali

Cllr DRF Buthelezi

Cllr SSE Buthelezi

Cllr MN Chetty

Cllr JME Damons

Cllr CL Dube

Cllr DX Dube

Cllr JK Gabuza

Cllr FP Gama

Cllr TS Hlabisa

Cllr MME Hlatshwayo

Cllr SB Hlatshwayo

Cllr CB Kubheka

Cllr S Kubheka

Cllr CY Lui

Cllr HS Madonsela

Cllr HT Malindi

Cllr FA Malinga

Cllr FM Mamba

Cllr AMM Mashinini

Cllr ZJ Mbatha

Cllr JS Mbatha

Cllr MN Mbokazi

Cllr MO Mdlalose

Cllr AP Meiring

Cllr MG Mlangeni

Cllr CN Mkhize

Cllr HN Mkhwanazi

Cllr RM Molelekoa

Cllr NA Msibi

Cllr TM Mzoneli

Cllr SG Ndlovu

Cllr ME Ngcobo

Cllr NJ Ngobese

Cllr D Ngwenya

Cllr CL Nhlapho

Cllr DJZ Nkosi

Cllr NT Ntshangase

# Newcastle Municipality

Annual Financial Statements for the year ended June 30, 2016

## General Information

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	Cllr TM Nzuze Cllr DO Shabalala Cllr DM Sibilwane Cllr LG Thwala Cllr SM Thwala Cllr DE Tshabalala Cllr SJ Zulu Cllr ME Zwane
<b>Grading of local authority</b>	Grade 4
<b>Accounting Officer</b>	BE Mswane
<b>Chief Finance Officer (CFO)</b>	SM Nkosi
<b>Registered office</b>	37 Murchison Street Newcastle 2940
<b>Business address</b>	37 Murchison Street Newcastle 2940
<b>Postal address</b>	Private Bag X 6621 Newcastle 2940
<b>Bankers</b>	First National Bank
<b>Auditors</b>	Auditor General South Africa

# Newcastle Municipality

Annual Financial Statements for the year ended June 30, 2016

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The reports and statements set out below comprise the annual financial statements presented to the provincial legislature:

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# Newcastle Municipality

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### Abbreviations

COID	Compensation for Occupational Injuries and Diseases
CRR	Capital Replacement Reserve
DBSA	Development Bank of South Africa
SA GAAP	South African Statements of Generally Accepted Accounting Practice
GRAP	Generally Recognised Accounting Practice
GAMAP	Generally Accepted Municipal Accounting Practice
HDF	Housing Development Fund
IAS	International Accounting Standards
IMFO	Institute of Municipal Finance Officers
IPSAS	International Public Sector Accounting Standards
ME's	Municipal Entities
MEC	Member of the Executive Council
MFMA	Municipal Finance Management Act
MIG	Municipal Infrastructure Grant (Previously CMIP)
ABSA	Amalgamated Banks of Southern Africa
SDL	Skills Development Levy

# Newcastle Municipality

Annual Financial Statements for the year ended June 30, 2016

## Accounting Officer's Responsibilities and Approval

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The accounting officer is required by the Municipal Finance Management Act (Act 56 of 2003), to maintain adequate accounting records and is responsible for the content and integrity of the annual financial statements and related financial information included in this report. It is the responsibility of the accounting officer to ensure that the annual financial statements fairly present the state of affairs of the municipality as at the end of the financial year and the results of its operations and cash flows for the period then ended. The external auditors are engaged to express an independent opinion on the annual financial statements and was given unrestricted access to all financial records and related data.

The annual financial statements have been prepared in accordance with Standards of Generally Recognised Accounting Practice (GRAP) including any interpretations, guidelines and directives issued by the Accounting Standards Board.

The annual financial statements are based upon appropriate accounting policies consistently applied and supported by reasonable and prudent judgements and estimates.

The accounting officer acknowledges that he is ultimately responsible for the system of internal financial control established by the municipality and place considerable importance on maintaining a strong control environment. To enable the accounting officer to meet these responsibilities, the Accounting Officer sets standards for internal control aimed at reducing the risk of error or deficit in a cost effective manner. The standards include the proper delegation of responsibilities within a clearly defined framework, effective accounting procedures and adequate segregation of duties to ensure an acceptable level of risk. These controls are monitored throughout the municipality and all employees are required to maintain the highest ethical standards in ensuring the municipality's business is conducted in a manner that in all reasonable circumstances is above reproach. The focus of risk management in the municipality is on identifying, assessing, managing and monitoring all known forms of risk across the municipality. While operating risk cannot be fully eliminated, the municipality endeavours to minimise it by ensuring that appropriate infrastructure, controls, systems and ethical behaviour are applied and managed within predetermined procedures and constraints.

The accounting officer is of the opinion, based on the information and explanations given by management, that the system of internal control provides reasonable assurance that the financial records may be relied on for the preparation of the annual financial statements. However, any system of internal financial control can provide only reasonable, and not absolute, assurance against material misstatement or deficit.

The accounting officer has reviewed the municipality's cash flow forecast for the year to June 30, 2017 and, in the light of this review and the current financial position, he is satisfied that the municipality has or has access to adequate resources to continue in operational existence for the foreseeable future.

I certify that the salaries, allowances and benefits of Councillors as disclosed in the financial statements are within the upper limits of the framework envisaged in section 219 of the Constitution, read with the Remuneration of Public Officer Bearers Act 1998 (Act 20 of 1998) and the Minister of Cooperative Governance and Traditional Affairs' determination in accordance with this Act.

As required by the Section 45 of Municipal Systems Act and Section 126 (1) (a) of Municipal Finance Management Act, the Annual Financial Statement were submitted to the Auditor-General South Africa (AGSA) on 31 August 2016.

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**Accounting Officer**  
**BE Mswane**

# Newcastle Municipality

Annual Financial Statements for the year ended June 30, 2016

## Statement of Financial Position as at June 30, 2016

Figures in Rand	Note(s)	2016	2015
<b>Assets</b>			
Current Assets			
Inventories	10	13,380,566	10,896,236
Other financial assets	8	7,922	9,836
Receivables from exchange transactions	11	31,433,320	23,042,729
Receivables from non-exchange transactions	12	11,139,767	10,134,929
VAT receivable	13	9,038,729	27,751,286
Prepayments	9	-	3,909,992
Consumer debtors	14	707,524,561	749,006,588
Cash and cash equivalents	15	44,572,895	340,812,924
		<b>817,097,760</b>	<b>1,165,564,520</b>
Non-Current Assets			
Investment property	3	275,974,000	207,527,190
Property, plant and equipment	4	7,670,846,954	7,821,274,264
Intangible assets	5	4,497,043	1,812,516
Heritage assets	6	5,970,483	2,964,899
Investments in associates	7	346,156,138	385,131,584
		<b>8,303,444,618</b>	<b>8,418,710,453</b>
<b>Total Assets</b>		<b>9,120,542,378</b>	<b>9,584,274,973</b>
<b>Liabilities</b>			
Current Liabilities			
Financial liabilities	20	29,375,168	27,326,675
Finance lease obligation	18	65,694	386,033
Payables from exchange transactions	23	359,370,933	271,424,718
Consumer deposits	24	12,752,606	11,048,084
Unspent conditional grants and receipts	19	32,408,992	69,609,604
Defined benefits costs	21	5,775,189	4,691,613
		<b>439,748,582</b>	<b>384,486,727</b>
Non-Current Liabilities			
Financial liabilities	20	458,502,484	471,912,802
Finance lease obligation	18	25,920	-
Defined benefits costs	21	120,075,542	107,212,753
Provision for rehabilitation costs of landfill site	22	26,814,753	27,200,543
		<b>605,418,699</b>	<b>606,326,098</b>
<b>Total Liabilities</b>		<b>1,045,167,281</b>	<b>990,812,825</b>
<b>Net Assets</b>		<b>8,075,375,097</b>	<b>8,593,462,148</b>
Reserves			
Housing Development fund	16	26,037,234	22,413,837
Self insurance reserve	17	708,555	7,471,767
Accumulated surplus		8,048,629,308	8,563,576,544
<b>Total Net Assets</b>		<b>8,075,375,097</b>	<b>8,593,462,148</b>

# Newcastle Municipality

Annual Financial Statements for the year ended June 30, 2016

## Statement of Financial Performance

Figures in Rand	Note(s)	2016	2015
<b>Revenue</b>			
Service charges	26	914,750,787	833,255,041
Rental of facilities and equipment	27	7,918,136	6,325,224
Proceeds on sale of Assets		769,797	7,575,581
Other income		9,862,557	7,007,167
Sundry sales		1,397,723	672,757
Fee income		5,261,709	7,024,930
Interest received		19,447,947	24,314,535
Property Rates	30	224,853,431	209,012,676
Government grants & subsidies	31	467,501,529	420,438,604
Fines		5,205,647	6,229,724
<b>Total revenue</b>		<b>1,656,969,263</b>	<b>1,521,856,239</b>
<b>Expenditure</b>			
Employee costs	32	484,375,091	359,262,612
Remuneration of councillors	33	18,453,108	20,123,948
Depreciation and amortisation	34	445,536,951	302,387,317
Impairment of assets	35	2,590,041	3,471,820
Finance costs	36	66,141,054	33,541,596
Debt Impairment	37	230,354,860	(50,390,243)
Collection costs		19,792,327	11,636,944
Repairs and maintenance		87,074,893	75,593,072
Bulk purchases	38	513,530,461	479,490,916
Contracted services	39	78,718,438	52,451,766
General Expenses	40	263,698,116	232,681,066
Loss on Actuarial Valuations		3,472,031	4,700,243
<b>Total expenditure</b>		<b>2,213,737,371</b>	<b>1,524,951,057</b>
<b>Operating deficit</b>		<b>(556,768,108)</b>	<b>(3,094,818)</b>
Share of surplus/deficit in investment in associates		39,077,446	(43,322,729)
Fair value adjustments to investment property		68,746,810	(71,954,810)
Impairment/Gain on investment in associates		(78,052,893)	324,530,301
		<b>29,771,363</b>	<b>209,252,762</b>
<b>(Deficit) surplus for the year</b>		<b>(526,996,745)</b>	<b>206,157,944</b>



# Newcastle Municipality

Annual Financial Statements for the year ended June 30, 2016

## Statement of Changes in Net Assets

Figures in Rand	Housing Development Fund	Insurance reserve	Total reserves	Accumulated surplus	Total net assets
<b>Balance at July 1, 2014</b>	<b>27,802,096</b>	<b>7,095,715</b>	<b>34,897,811</b>	<b>4,409,027,125</b>	<b>4,443,924,936</b>
Changes in net assets					
Deficit for the year	-	-	-	206,157,944	206,157,944
Correction of prior period errors Refer Note 48	-	-	-	3,969,026,365	3,969,026,365
Transfer to Housing Development fund	(5,388,259)	-	(5,388,259)	5,388,259	-
Transfer to Self Insurance reserve	-	376,052	376,052	(376,052)	-
Accumulated Surplus movement in 2014/15	-	-	-	1,499,723	1,499,723
Prior year adjustment - Investment in Associates	-	-	-	(27,931,321)	(27,931,321)
Correction prior period errors Refer Note 48	-	-	-	784,501	784,501
Total changes	(5,388,259)	376,052	(5,012,207)	4,154,549,419	4,149,537,212
<b>Restated Balance at July 1, 2015</b>	<b>22,413,837</b>	<b>7,471,767</b>	<b>29,885,604</b>	<b>8,563,576,657</b>	<b>8,593,462,261</b>
Deficit for the year	-	-	-	(526,996,745)	(526,996,745)
Transfer to Housing Development fund	3,623,397	-	3,623,397	5,307,684	8,931,081
Transfer from self insurance reserve	-	(6,763,212)	(6,763,212)	6,741,712	(21,500)
Total changes	3,623,397	(6,763,212)	(3,139,815)	(514,947,349)	(518,087,164)
<b>Balance at June 30, 2016</b>	<b>26,037,234</b>	<b>708,555</b>	<b>26,745,789</b>	<b>8,048,629,308</b>	<b>8,075,375,097</b>

# Newcastle Municipality

Annual Financial Statements for the year ended June 30, 2016

## Cash Flow Statement

Figures in Rand	Note(s)	2016	2015
<b>Cash flows from operating activities</b>			
<b>Receipts</b>			
Sale of goods and services		980,377,156	914,434,832
Grants		464,077,142	448,029,391
Interest income		19,447,947	24,314,535
		<u>1,463,902,245</u>	<u>1,386,778,758</u>
<b>Payments</b>			
Employee costs		(502,788,081)	(386,179,499)
Suppliers		(878,905,808)	(869,234,238)
Finance costs		(66,141,054)	(33,541,596)
		<u>(1,447,834,943)</u>	<u>(1,288,955,333)</u>
<b>Net cash flows from operating activities</b>	43	<u><b>16,067,302</b></u>	<u><b>97,823,425</b></u>
<b>Cash flows from investing activities</b>			
Purchase of property, plant and equipment	4	(297,935,367)	(341,121,418)
Proceeds from sale of property, plant and equipment	4	618,200	252,314
Disposal of Investment property	3	300,000	-
Purchase of other intangible assets	5	(3,592,320)	(889,796)
Purchases of Heritage Assets	6	(41,600)	(60,000)
		<u>(300,651,087)</u>	<u>(341,818,900)</u>
<b>Net cash flows from investing activities</b>		<u><b>(300,651,087)</b></u>	<u><b>(341,818,900)</b></u>
<b>Cash flows from financing activities</b>			
Net movements in long term loans		(11,361,825)	257,256,608
Movement on finance lease		(294,419)	(355,412)
		<u>(11,656,244)</u>	<u>256,901,196</u>
<b>Net cash flows from financing activities</b>		<u><b>(11,656,244)</b></u>	<u><b>256,901,196</b></u>
<b>Net increase/(decrease) in cash and cash equivalents</b>		<u><b>(296,240,029)</b></u>	<u><b>12,905,721</b></u>
Cash and cash equivalents at the beginning of the year		340,812,924	327,907,203
<b>Cash and cash equivalents at the end of the year</b>	15	<u><b>44,572,895</b></u>	<u><b>340,812,924</b></u>

# Newcastle Municipality

Annual Financial Statements for the year ended June 30, 2016

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Statement of Financial Performance</b>						
<b>Revenue</b>						
<b>Revenue from exchange transactions</b>						
Service charges	987,462,850	10,998,076	<b>998,460,926</b>	914,750,787	<b>(83,710,139)</b>	
Rental of facilities and equipment	7,918,135	-	<b>7,918,135</b>	7,918,136	<b>1</b>	
Profit on sale of Assets	10,620,209	1,110,454	<b>11,730,663</b>	769,797	<b>(10,960,866)</b>	
Other income	3,395,646	-	<b>3,395,646</b>	9,862,557	<b>6,466,911</b>	
Sundry sales	1,397,723	-	<b>1,397,723</b>	1,397,723	-	
Fee income	5,261,709	-	<b>5,261,709</b>	5,261,709	-	
Interest received	12,000,000	(2,730,000)	<b>9,270,000</b>	19,447,947	<b>10,177,947</b>	
<b>Total revenue from exchange transactions</b>	<b>1,028,056,272</b>	<b>9,378,530</b>	<b>1,037,434,802</b>	<b>959,408,656</b>	<b>(78,026,146)</b>	
<b>Revenue from non-exchange transactions</b>						
Property rates	240,640,248	(8,510,248)	<b>232,130,000</b>	224,853,431	<b>(7,276,569)</b>	
<b>Transfer revenue</b>						
Government grants & subsidies	307,059,000	10,872,271	<b>317,931,271</b>	467,501,529	<b>149,570,258</b>	
Fines, Penalties and Forfeits	5,205,647	-	<b>5,205,647</b>	5,205,647	-	
<b>Total revenue from non-exchange transactions</b>	<b>552,904,895</b>	<b>2,362,023</b>	<b>555,266,918</b>	<b>697,560,607</b>	<b>142,293,689</b>	
<b>Total revenue</b>	<b>1,580,961,167</b>	<b>11,740,553</b>	<b>1,592,701,720</b>	<b>1,656,969,263</b>	<b>64,267,543</b>	
<b>Expenditure</b>						
Personnel	(442,461,030)	(4,395,576)	<b>(446,856,606)</b>	(484,375,091)	<b>(37,518,485)</b>	
Remuneration of councillors	(19,208,130)	(231,560)	<b>(19,439,690)</b>	(18,453,108)	<b>986,582</b>	
Depreciation and amortisation	(247,951,556)	(63,777,081)	<b>(311,728,637)</b>	(445,536,951)	<b>(133,808,314)</b>	
Impairment loss/ Reversal of impairments	-	-	-	(2,590,041)	<b>(2,590,041)</b>	
Finance costs	(27,104,605)	(26,587,134)	<b>(53,691,739)</b>	(66,141,054)	<b>(12,449,315)</b>	
Bad debts written off	(102,307,894)	-	<b>(102,307,894)</b>	(230,354,860)	<b>(128,046,966)</b>	
Collection costs	(19,792,327)	-	<b>(19,792,327)</b>	(19,792,327)	-	
Repairs and maintenance	(87,019,971)	-	<b>(87,019,971)</b>	(87,074,893)	<b>(54,922)</b>	
Bulk purchases	(536,117,858)	17,096,000	<b>(519,021,858)</b>	(513,530,461)	<b>5,491,397</b>	
Contracted Services	(128,631,070)	22,045,207	<b>(106,585,863)</b>	(78,718,438)	<b>27,867,425</b>	
General Expenses	(224,093,916)	(3,986,820)	<b>(228,080,736)</b>	(267,217,579)	<b>(39,136,843)</b>	
<b>Total expenditure</b>	<b>(1,834,688,357)</b>	<b>(59,836,964)</b>	<b>(1,894,525,321)</b>	<b>(2,213,784,803)</b>	<b>(319,259,482)</b>	
<b>Operating deficit</b>	<b>(253,727,190)</b>	<b>(48,096,411)</b>	<b>(301,823,601)</b>	<b>(556,815,540)</b>	<b>(254,991,939)</b>	
Share of Surplus/Deficit of Investment in Associates	-	-	-	39,077,446	<b>39,077,446</b>	
Fair value adjustment to investment property	-	-	-	68,746,810	<b>68,746,810</b>	
Gain/Impairment on Investment in Associates	-	-	-	(78,052,893)	<b>(78,052,893)</b>	
	-	-	-	<b>29,771,363</b>	<b>29,771,363</b>	
<b>Deficit before taxation</b>	<b>(253,727,190)</b>	<b>(48,096,411)</b>	<b>(301,823,601)</b>	<b>(527,044,177)</b>	<b>(225,220,576)</b>	

# Newcastle Municipality

Annual Financial Statements for the year ended June 30, 2016

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Actual Amount on Comparable Basis as Presented in the Budget and Actual Comparative Statement</b>	<b>(253,727,190)</b>	<b>(48,096,411)</b>	<b>(301,823,601)</b>	<b>(527,044,177)</b>	<b>(225,220,576)</b>	

# Newcastle Municipality

Annual Financial Statements for the year ended June 30, 2016

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

### Statement of Financial Position

#### Assets

##### Current Assets

Inventories	-	13,937,922	<b>13,937,922</b>	13,380,566	<b>(557,356)</b>
Other financial assets	-	8,904	<b>8,904</b>	7,922	<b>(982)</b>
Receivables from exchange transactions	-	65,480,588	<b>65,480,588</b>	31,433,320	<b>(34,047,268)</b>
Receivables from non-exchange transactions	-	-	-	11,139,662	<b>11,139,662</b>
VAT receivable	-	-	-	9,038,729	<b>9,038,729</b>
Consumer debtors	1,169,587,387	(381,196,752)	<b>788,390,635</b>	707,524,562	<b>(80,866,073)</b>
Cash and cash equivalents	429,354,264	(319,653,550)	<b>109,700,714</b>	44,572,895	<b>(65,127,819)</b>
	<b>1,598,941,651</b>	<b>(621,422,888)</b>	<b>977,518,763</b>	<b>817,097,656</b>	<b>(160,421,107)</b>

##### Non-Current Assets

Investment property	171,249,000	36,278,190	<b>207,527,190</b>	275,974,000	<b>68,446,810</b>
Property, plant and equipment	3,223,479,723	630,519,788	<b>3,853,999,511</b>	7,670,846,954	<b>3,816,847,443</b>
Intangible assets	913,000	3,973,102	<b>4,886,102</b>	4,497,043	<b>(389,059)</b>
Heritage assets	-	2,964,899	<b>2,964,899</b>	5,970,483	<b>3,005,584</b>
Investments in associates	1,172,245,611	(759,182,706)	<b>413,062,905</b>	346,156,138	<b>(66,906,767)</b>
	<b>4,567,887,334</b>	<b>(85,446,727)</b>	<b>4,482,440,607</b>	<b>8,303,444,618</b>	<b>3,821,004,011</b>

#### Total Assets

**6,166,828,985 (706,869,615) 5,459,959,370 9,120,542,274 3,660,582,904**

#### Liabilities

##### Current Liabilities

Financial liabilities	27,104,605	411,350	<b>27,515,955</b>	29,375,168	<b>1,859,213</b>
Finance lease obligation	-	-	-	65,694	<b>65,694</b>
Payables from exchange transactions	103,000,000	125,640,000	<b>228,640,000</b>	359,370,933	<b>130,730,933</b>
Consumer deposits	9,997,181	2,260,054	<b>12,257,235</b>	12,752,606	<b>495,371</b>
Unspent conditional grants and receipts	-	86,991,000	<b>86,991,000</b>	32,408,992	<b>(54,582,008)</b>
Defined benefits costs	3,437,863	1,253,750	<b>4,691,613</b>	5,775,189	<b>1,083,576</b>
	<b>143,539,649</b>	<b>216,556,154</b>	<b>360,095,803</b>	<b>439,748,582</b>	<b>79,652,779</b>

##### Non-Current Liabilities

Financial liabilities	463,737,395	(5,032,143)	<b>458,705,252</b>	458,502,484	<b>(202,768)</b>
Finance lease obligation	-	-	-	25,920	<b>25,920</b>
Defined benefits costs	-	107,212,753	<b>107,212,753</b>	120,075,542	<b>12,862,789</b>
Provision for rehabilitation costs of landfill site	22,923,190	4,277,353	<b>27,200,543</b>	26,814,753	<b>(385,790)</b>
	<b>486,660,585</b>	<b>106,457,963</b>	<b>593,118,548</b>	<b>605,418,699</b>	<b>12,300,151</b>

#### Total Liabilities

**630,200,234 323,014,117 953,214,351 1,045,167,281 91,952,930**

#### Net Assets

**5,536,628,751 (1,029,883,732) 4,506,745,019 8,075,374,993 3,568,629,974**

# Newcastle Municipality

Annual Financial Statements for the year ended June 30, 2016

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
Figures in Rand						
<b>Net Assets</b>						
<b>Net Assets Attributable to Owners of Controlling Entity</b>						
<b>Reserves</b>						
Housing Development Fund	26,549,000	(4,909,000)	<b>21,640,000</b>	26,037,234	<b>4,397,234</b>	
Insurance reserve	6,804,000	-	<b>6,804,000</b>	708,555	<b>(6,095,445)</b>	
Accumulated surplus	5,503,275,591	(982,707,591)	<b>4,520,568,000</b>	8,048,629,201	<b>3,528,061,201</b>	
<b>Total Net Assets</b>	<b>5,536,628,591</b>	<b>(987,616,591)</b>	<b>4,549,012,000</b>	<b>8,075,374,990</b>	<b>3,526,362,990</b>	

# Newcastle Municipality

Annual Financial Statements for the year ended June 30, 2016

## Statement of Comparison of Budget and Actual Amounts

Budget on Accrual Basis

	Approved budget	Adjustments	Final Budget	Actual amounts on comparable basis	Difference between final budget and actual	Reference
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Figures in Rand

### Cash Flow Statement

#### Cash flows from operating activities

##### Receipts

Sale of goods	950,416,655	105,684,851	<b>1,056,101,506</b>	660,849,042	<b>(395,252,464)</b>
Grants	480,943,000	10,766,984	<b>491,709,984</b>	464,077,142	<b>(27,632,842)</b>
Interest received	12,174,000	(2,691,000)	<b>9,483,000</b>	19,447,947	<b>9,964,947</b>
	<b>1,443,533,655</b>	<b>113,760,835</b>	<b>1,557,294,490</b>	<b>1,144,374,131</b>	<b>(412,920,359)</b>

##### Payments

Employee costs and payments to suppliers	(1,200,397,818)	(103,405,022)	<b>(1,303,802,840)</b>	(502,788,081)	<b>801,014,759</b>
Suppliers	-	(21,000,000)	<b>(21,000,000)</b>	(559,394,341)	<b>(538,394,341)</b>
Finance costs	(27,104,605)	(26,587,000)	<b>(53,691,605)</b>	(66,141,054)	<b>(12,449,449)</b>
	<b>(1,227,502,423)</b>	<b>(150,992,022)</b>	<b>(1,378,494,445)</b>	<b>(1,128,323,476)</b>	<b>250,170,969</b>

<b>Net cash flows from operating activities</b>	<b>216,031,232</b>	<b>(37,231,187)</b>	<b>178,800,045</b>	<b>16,050,655</b>	<b>(162,749,390)</b>
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#### Cash flows from investing activities

Purchase of property, plant and equipment	(400,509,490)	88,965,884	<b>(311,543,606)</b>	(297,918,720)	<b>13,624,886</b>
Proceeds from sale of property, plant and equipment	-	1,000,000	<b>1,000,000</b>	618,200	<b>(381,800)</b>
Proceeds from sale of investment property	-	-	-	300,000	<b>300,000</b>
Purchase of other intangible assets	-	-	-	(3,592,320)	<b>(3,592,320)</b>
Purchases of heritage assets	-	-	-	(41,600)	<b>(41,600)</b>
<b>Net cash flows from investing activities</b>	<b>(400,509,490)</b>	<b>89,965,884</b>	<b>(310,543,606)</b>	<b>(300,634,440)</b>	<b>9,909,166</b>

#### Cash flows from financing activities

Movement in long term loans	63,335,176	(63,335,176)	-	-	-
Repayment of financial liabilities	(27,104,605)	-	<b>(27,104,605)</b>	(11,361,825)	<b>15,742,780</b>
Movement in finance leases	-	-	-	(294,419)	<b>(294,419)</b>
<b>Net cash flows from financing activities</b>	<b>(27,104,605)</b>	<b>-</b>	<b>(27,104,605)</b>	<b>(11,656,244)</b>	<b>15,448,361</b>

Net increase/(decrease) in cash and cash equivalents	(211,582,863)	52,734,697	<b>(158,848,166)</b>	(296,240,029)	<b>(137,391,863)</b>
Cash and cash equivalents at the beginning of the year	352,601,951	(11,689,027)	<b>340,912,924</b>	340,812,924	<b>(100,000)</b>
<b>Cash and cash equivalents at the end of the year</b>	<b>141,019,088</b>	<b>41,045,670</b>	<b>182,064,758</b>	<b>44,572,895</b>	<b>(137,491,863)</b>

# Newcastle Municipality

Annual Financial Statements for the year ended June 30, 2016

## Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
<b>2016</b>											
<b>Financial Performance</b>											
Property rates	240,640,248	(8,510,248)	232,130,000	-		232,130,000	224,853,431		(7,276,569)	97 %	93 %
Service charges	987,462,850	10,998,076	998,460,926	-		998,460,926	914,750,787		(83,710,139)	92 %	93 %
Investment revenue	12,000,000	(2,730,000)	9,270,000	-		9,270,000	19,447,947		10,177,947	210 %	162 %
Transfers recognised - operational	307,059,000	10,872,271	317,931,271	-		317,931,271	290,536,619		(27,394,652)	91 %	95 %
Other own revenue	33,799,069	1,110,454	34,909,523	-		34,909,523	207,380,479		172,470,956	594 %	614 %
<b>Total revenue (excluding capital transfers and contributions)</b>	<b>1,580,961,167</b>	<b>11,740,553</b>	<b>1,592,701,720</b>	<b>-</b>		<b>1,592,701,720</b>	<b>1,656,969,263</b>		<b>64,267,543</b>	<b>104 %</b>	<b>105 %</b>
Employee costs	(442,461,030)	(4,395,576)	(446,856,606)	-	-	(446,856,606)	(484,375,091)	-	(37,518,485)	108 %	109 %
Remuneration of councillors	(19,208,130)	(231,560)	(19,439,690)	-	-	(19,439,690)	(18,453,108)	-	986,582	95 %	96 %
Debt impairment	(102,307,894)	-	(102,307,894)			(102,307,894)	(230,354,860)	-	(128,046,966)	225 %	225 %
Depreciation and asset impairment	(247,951,556)	(63,777,081)	(311,728,637)			(311,728,637)	(448,126,992)	-	(136,398,355)	144 %	181 %
Finance charges	(27,104,605)	(26,587,134)	(53,691,739)	-	-	(53,691,739)	(66,141,054)	-	(12,449,315)	123 %	244 %
Materials and bulk purchases	(476,976,828)	17,640,440	(459,336,388)	-	-	(459,336,388)	(513,530,461)	-	(54,194,073)	112 %	108 %
Other expenditure	(518,678,317)	17,513,947	(501,164,370)	-	-	(501,164,370)	(452,148,296)	-	49,016,074	90 %	87 %
<b>Total expenditure</b>	<b>(1,834,688,360)</b>	<b>(59,836,964)</b>	<b>(1,894,525,324)</b>	<b>-</b>	<b>-</b>	<b>(1,894,525,324)</b>	<b>(2,213,129,862)</b>	<b>-</b>	<b>(318,604,538)</b>	<b>117 %</b>	<b>121 %</b>
<b>Surplus/(Deficit)</b>	<b>(253,727,193)</b>	<b>(48,096,411)</b>	<b>(301,823,604)</b>	<b>-</b>		<b>(301,823,604)</b>	<b>(556,160,599)</b>		<b>(254,336,995)</b>	<b>184 %</b>	<b>219 %</b>



# Newcastle Municipality

Annual Financial Statements for the year ended June 30, 2016

## Appropriation Statement

Figures in Rand

	Original budget	Budget adjustments (i.t.o. s28 and s31 of the MFMA)	Final adjustments budget	Shifting of funds (i.t.o. s31 of the MFMA)	Virement (i.t.o. council approved policy)	Final budget	Actual outcome	Unauthorised expenditure	Variance	Actual outcome as % of final budget	Actual outcome as % of original budget
Share of surplus (deficit) of associate	-	-	-	-	-	-	39,077,446	-	39,077,446	DIV/0 %	DIV/0 %
Fair value adjustment	-	-	-	-	-	-	68,746,810	-	68,746,810	DIV/0 %	DIV/0 %
Impairment on investment in associates	-	-	-	-	-	-	(78,052,893)	-	(78,052,893)	DIV/0 %	DIV/0 %
<b>Surplus/(Deficit) for the year</b>	<b>(253,727,193)</b>	<b>(48,096,411)</b>	<b>(301,823,604)</b>	<b>-</b>	<b>-</b>	<b>(301,823,604)</b>	<b>(526,389,236)</b>	<b>-</b>	<b>(224,565,632)</b>	<b>174 %</b>	<b>207 %</b>
<b>Cash flows</b>											
Net cash from (used) operating	216,031,232	(37,231,187)	178,800,045	-	-	178,800,045	16,067,302	-	(162,732,743)	9 %	7 %
Net cash from (used) investing	(175,509,490)	(208,384,971)	(383,894,461)	-	-	(383,894,461)	(300,651,087)	-	83,243,374	78 %	171 %
Net cash from (used) financing	36,230,571	(62,348,365)	(26,117,794)	-	-	(26,117,794)	(11,656,244)	-	14,461,550	45 %	(32)%
<b>Net increase/(decrease) in cash and cash equivalents</b>	<b>76,752,313</b>	<b>(307,964,523)</b>	<b>(231,212,210)</b>	<b>-</b>	<b>-</b>	<b>(231,212,210)</b>	<b>(296,240,029)</b>	<b>-</b>	<b>(65,027,819)</b>	<b>128 %</b>	<b>(386)%</b>
Cash and cash equivalents at the beginning of the year	352,601,951	(11,689,027)	340,912,924	-	-	340,912,924	340,812,924	-	(100,000)	100 %	97 %
<b>Cash and cash equivalents at year end</b>	<b>429,354,264</b>	<b>(319,653,550)</b>	<b>109,700,714</b>	<b>-</b>	<b>-</b>	<b>109,700,714</b>	<b>44,572,895</b>	<b>-</b>	<b>65,127,819</b>	<b>41 %</b>	<b>10 %</b>

# Newcastle Municipality

Annual Financial Statements for the year ended June 30, 2016

## Accounting Policies

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### 1. Presentation of Annual Financial Statements

The annual financial statements have been prepared in accordance with the Standards of Generally Recognised Accounting Practice (GRAP), issued by the Accounting Standards Board in accordance with Section 122(3) of the Municipal Finance Management Act (Act 56 of 2003).

These annual financial statements have been prepared on an accrual basis of accounting and are in accordance with historical cost convention as the basis of measurement, unless specified otherwise.

A summary of the significant accounting policies, which have been consistently applied in the preparation of these annual financial statements, are disclosed below.

These accounting policies are consistent with the previous period.

#### 1.1 Presentation currency

These annual financial statements are presented in South African Rand, which is the functional currency of the municipality.

#### 1.2 Going concern assumption

The Annual Financial Statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that realisation of assets and settlement of liabilities, contingent liabilities and commitments will occur in the ordinary course of business.

#### 1.3 Investment property

Investment property is property (land or a building - or part of a building - or both) held to earn rentals or for capital appreciation or both, rather than for:

- use in the production or supply of goods or services or for
- administrative purposes, or
- sale in the ordinary course of operations.

Owner-occupied property is property held for use in the production or supply of goods or services or for administrative purposes.

Investment property is recognised as an asset when, it is probable that the future economic benefits or service potential that are associated with the investment property will flow to the municipality, and the cost or fair value of the investment property can be measured reliably.

Investment property is initially recognised at cost. Transaction costs are included in the initial measurement.

Where investment property is acquired through a non-exchange transaction, its cost is its fair value as at the date of acquisition.

Costs include costs incurred initially and costs incurred subsequently to add to, or to replace a part of, or service a property. If a replacement part is recognised in the carrying amount of the investment property, the carrying amount of the replaced part is derecognised.

#### Fair value

Subsequent to initial measurement investment property is measured at fair value.

The fair value of investment property reflects market conditions at the reporting date.

A gain or loss arising from a change in fair value is included in net surplus or deficit for the period in which it arises.

#### 1.4 Property, plant and equipment

Property, plant and equipment are tangible non-current assets (including infrastructure assets) that are held for use in the production or supply of goods or services, rental to others, or for administrative purposes, and are expected to be used during more than one period.

# Newcastle Municipality

Annual Financial Statements for the year ended June 30, 2016

## Accounting Policies

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### 1.4 Property, plant and equipment (continued)

The cost of an item of property, plant and equipment is recognised as an asset when:

- it is probable that future economic benefits or service potential associated with the item will flow to the municipality; and
- the cost of the item can be measured reliably.

Property, plant and equipment is initially measured at cost.

The cost of an item of property, plant and equipment is the purchase price and other costs attributable to bring the asset to the location and condition necessary for it to be capable of operating in the manner intended by management. Trade discounts and rebates are deducted in arriving at the cost.

Where an asset is acquired through a non-exchange transaction, its cost is its fair value as at date of acquisition.

Where an item of property, plant and equipment is acquired in exchange for a non-monetary asset or monetary assets, or a combination of monetary and non-monetary assets, the asset acquired is initially measured at fair value (the cost). If the acquired item's fair value was not determinable, it's deemed cost is the carrying amount of the asset(s) given up.

When significant components of an item of property, plant and equipment have different useful lives, they are accounted for as separate items (major components) of property, plant and equipment.

Costs include costs incurred initially to acquire or construct an item of property, plant and equipment and costs incurred subsequently to add to, replace part of, or service it. If a replacement cost is recognised in the carrying amount of an item of property, plant and equipment, the carrying amount of the replaced part is derecognised.

The initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located is also included in the cost of property, plant and equipment, where the entity is obligated to incur such expenditure, and where the obligation arises as a result of acquiring the asset or using it for purposes other than the production of inventories.

Recognition of costs in the carrying amount of an item of property, plant and equipment ceases when the item is in the location and condition necessary for it to be capable of operating in the manner intended by management.

Items such as spare parts, standby equipment and servicing equipment are recognised when they meet the definition of property, plant and equipment.

Major inspection costs which are a condition of continuing use of an item of property, plant and equipment and which meet the recognition criteria above are included as a replacement in the cost of the item of property, plant and equipment. Any remaining inspection costs from the previous inspection are derecognised.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses.

Property, plant and equipment is carried at cost less accumulated depreciation and any impairment losses except for Infrastructure Assets which are carried at revalued amount being the fair value at the date of revaluation less any subsequent accumulated depreciation and subsequent accumulated impairment losses.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is restated proportionately with the change in the gross carrying amount of the asset so that the carrying amount of the asset after revaluation equals its revalued amount.

When an item of property, plant and equipment is revalued, any accumulated depreciation at the date of the revaluation is eliminated against the gross carrying amount of the asset and the net amount restated to the revalued amount of the asset.

Any increase in an asset's carrying amount, as a result of a revaluation, is credited directly to a revaluation surplus. The increase is recognised in surplus or deficit to the extent that it reverses a revaluation decrease of the same asset previously recognised in surplus or deficit.

Any decrease in an asset's carrying amount, as a result of a revaluation, is recognised in surplus or deficit in the current period. The decrease is debited directly to a revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings when the asset is derecognised.

# Newcastle Municipality

Annual Financial Statements for the year ended June 30, 2016

## Accounting Policies

### 1.4 Property, plant and equipment (continued)

The revaluation surplus in equity related to a specific item of property, plant and equipment is transferred directly to retained earnings as the asset is used. The amount transferred is equal to the difference between depreciation based on the revalued carrying amount and depreciation based on the original cost of the asset.

Property, plant and equipment are depreciated on the straight line basis over their expected useful lives to their estimated residual value.

The useful lives of items of property, plant and equipment have been assessed as follows:

Item	Depreciation method	Average useful life
Land	Straight line	Indefinite
Buildings	Straight line	30 years
Plant and machinery	Straight line	5 years
Furniture and fixtures	Straight line	7 years
Motor vehicles	Straight line	5 years
Office equipment	Straight line	5 years
IT equipment	Straight line	5 years
Computer software	Straight line	5 years
Infrastructure	Straight line	7-80 years
Community	Straight line	5-80 Yeras
Other property, plant and equipment	Straight line	5-10 Years
Heritage	Straight line	80 years

The residual value, and the useful life and depreciation method of each asset are reviewed at the end of each reporting date. If the expectations differ from previous estimates, the change is accounted for as a change in accounting estimate.

Reviewing the useful life of an asset on an annual basis does not require the entity to amend the previous estimate unless expectations differ from the previous estimate.

Each part of an item of property, plant and equipment with a cost that is significant in relation to the total cost of the item is depreciated separately.

The depreciation charge for each period is recognised in surplus or deficit unless it is included in the carrying amount of another asset.

Items of property, plant and equipment are derecognised when the asset is disposed of or when there are no further economic benefits or service potential expected from the use of the asset.

The gain or loss arising from the derecognition of an item of property, plant and equipment is included in surplus or deficit when the item is derecognised. The gain or loss arising from the derecognition of an item of property, plant and equipment is determined as the difference between the net disposal proceeds, if any, and the carrying amount of the item.

### 1.5 Site restoration and dismantling cost

The municipality has an obligation to dismantle, remove and restore items of property, plant and equipment. Such obligations are referred to as 'decommissioning, restoration and similar liabilities'. The cost of an item of property, plant and equipment includes the initial estimate of the costs of dismantling and removing the item and restoring the site on which it is located, the obligation for which an municipality incurs either when the item is acquired or as a consequence of having used the item during a particular period for purposes other than to produce inventories during that period.

If the related asset is measured using the cost model:

- subject to (b), changes in the liability are added to, or deducted from, the cost of the related asset in the current period;
- if a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit; and
- if the adjustment results in an addition to the cost of an asset, the municipality considers whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If it is such an indication, the asset is tested for impairment by estimating its recoverable amount or recoverable service amount, and any impairment loss is recognised in accordance with the accounting policy on impairment of cash-generating assets and/or impairment of non-cash-generating assets.

## Accounting Policies

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### 1.5 Site restoration and dismantling cost (continued)

If the related asset is measured using the revaluation model:

- (a) changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability (subject to (b)) is credited to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit
  - an increase in the liability is recognised in surplus or deficit, except that it is debited to the revaluation surplus to the extent of any credit balance existing in the revaluation surplus in respect of that asset.
- (b) in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit; and
- (c) a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the end of the reporting period. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit or net assets under (a). If a revaluation is necessary, all assets of that class are revalued.

### 1.6 Intangible assets

An asset is identifiable if it either:

- is separable, i.e. is capable of being separated or divided from an entity and sold, transferred, licensed, rented or exchanged, either individually or together with a related contract, identifiable assets or liability, regardless of whether the entity intends to do so; or
- arises from binding arrangements (including rights from contracts), regardless of whether those rights are transferable or separable from the municipality or from other rights and obligations.

A binding arrangement describes an arrangement that confers similar rights and obligations on the parties to it as if it were in the form of a contract.

An intangible asset is recognised when:

- it is probable that the expected future economic benefits or service potential that are attributable to the asset will flow to the municipality; and
- the cost or fair value of the asset can be measured reliably.

The municipality assesses the probability of expected future economic benefits or service potential using reasonable and supportable assumptions that represent management's best estimate of the set of economic conditions that will exist over the useful life of the asset.

Where an intangible asset is acquired through a non-exchange transaction, its initial cost at the date of acquisition is measured at its fair value as at that date.

Expenditure on research (or on the research phase of an internal project) is recognised as an expense when it is incurred.

An intangible asset arising from development (or from the development phase of an internal project) is recognised when:

- it is technically feasible to complete the asset so that it will be available for use or sale.
- there is an intention to complete and use or sell it.
- there is an ability to use or sell it.
- it will generate probable future economic benefits or service potential.
- there are available technical, financial and other resources to complete the development and to use or sell the asset.
- the expenditure attributable to the asset during its development can be measured reliably.

Intangible assets are carried at cost less any accumulated amortisation and any impairment losses.

An intangible asset is regarded as having an indefinite useful life when, based on all relevant factors, there is no foreseeable limit to the period over which the asset is expected to generate net cash inflows or service potential. Amortisation is not provided for these intangible assets, but they are tested for impairment annually and whenever there is an indication that the asset may be impaired. For all other intangible assets amortisation is provided on a straight line basis over their useful life.

The amortisation period and the amortisation method for intangible assets are reviewed at each reporting date.

Reassessing the useful life of an intangible asset with a finite useful life after it was classified as indefinite is an indicator that the asset may be impaired. As a result the asset is tested for impairment and the remaining carrying amount is amortised over its useful life.

# Newcastle Municipality

Annual Financial Statements for the year ended June 30, 2016

## Accounting Policies

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### 1.6 Intangible assets (continued)

Internally generated brands, mastheads, publishing titles, customer lists and items similar in substance are not recognised as intangible assets.

Internally generated goodwill is not recognised as an intangible asset.

Amortisation is provided to write down the intangible assets, on a straight line basis, to their residual values as follows:

Item	Useful life
Computer software, other	5 years

Intangible assets are derecognised:

- on disposal; or
- when no future economic benefits or service potential are expected from its use or disposal.

### 1.7 Heritage assets

Assets are resources controlled by an municipality as a result of past events and from which future economic benefits or service potential are expected to flow to the municipality.

Carrying amount is the amount at which an asset is recognised after deducting accumulated impairment losses.

Class of heritage assets means a grouping of heritage assets of a similar nature or function in an municipality's operations that is shown as a single item for the purpose of disclosure in the annual financial statements.

Heritage assets are assets that have a cultural, environmental, historical, natural, scientific, technological or artistic significance and are held indefinitely for the benefit of present and future generations.

An inalienable item is an asset that an municipality is required by law or otherwise to retain indefinitely and cannot be disposed of without consent.

#### Recognition

The municipality recognises a heritage asset as an asset if it is probable that future economic benefits or service potential associated with the asset will flow to the municipality, and the cost or fair value of the asset can be measured reliably.

#### Initial measurement

Heritage assets are measured at cost.

Where a heritage asset is acquired through a non-exchange transaction, its cost is measured at its fair value as at the date of acquisition.

#### Transfers

Transfers from heritage assets are only made when the particular asset no longer meets the definition of a heritage asset.

Transfers to heritage assets are only made when the asset meets the definition of a heritage asset.

#### Derecognition

The municipality derecognises heritage asset on disposal, or when no future economic benefits or service potential are expected from its use or disposal.

The gain or loss arising from the derecognition of a heritage asset is included in surplus or deficit when the item is derecognised (unless the Standard of GRAP on leases requires otherwise on a sale and leaseback).

# Newcastle Municipality

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## Accounting Policies

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### 1.8 Investments in associates

An associate is an entity in which the investor has significant influence and which is neither a controlled nor a joint venture of the investor. Significant influence is the power to participate in the financial and operating policy decision of the investee, but is not control over those policies. The municipality exercise judgement in the context of all available information to determine if it has significant influence over an investee.

The municipality commences accounting for an investment in an associate from the date significant influence exists and discontinues the application of the equity method when it no longer has significant influence over an associate. Investments that are retained in whole or in part are subsequently accounted for in accordance with the accounting policies on subsidiaries, joint ventures of financial instruments depending on the nature of the retained investment.

The municipality accounts for investment in associate under the equity method in the financial statements. The equity method involves recognising the investment in associate initially at cost, then adjusting for any changes in the investors share of net assets since acquisition. A single line item in the Statements of Financial Performance presents the investors share of the associates surplus or deficit for the year.

The municipality uses the most recent available financial statements of the associates in applying the equity method. Where the reporting period of the associate and the municipality are different, separate financial statements for the same period are prepared by the associate unless it is impracticable to do so. When the reporting dates are different, the municipality makes adjustments to the effect of any significant events or transactions between the investor and the associate that occur between the associate and the municipality. Adjustments are made to ensure consistency between the accounting policies of the municipality and associate.

### 1.9 Financial instruments

A financial instrument is any contract that gives rise to a financial asset of one entity and a financial liability or a residual interest of another entity.

The amortised cost of a financial asset or financial liability is the amount at which the financial asset or financial liability is measured at initial recognition minus principal repayments, plus or minus the cumulative amortisation using the effective interest method of any difference between that initial amount and the maturity amount, and minus any reduction (directly or through the use of an allowance account) for impairment or uncollectibility.

A concessionary loan is a loan granted to or received by an entity on terms that are not market related.

Credit risk is the risk that one party to a financial instrument will cause a financial loss for the other party by failing to discharge an obligation.

Currency risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in foreign exchange rates.

Derecognition is the removal of a previously recognised financial asset or financial liability from an entity's statement of financial position.

A derivative is a financial instrument or other contract with all three of the following characteristics:

- Its value changes in response to the change in a specified interest rate, financial instrument price, commodity price, foreign exchange rate, index of prices or rates, credit rating or credit index, or other variable, provided in the case of a non-financial variable that the variable is not specific to a party to the contract (sometimes called the 'underlying').
- It requires no initial net investment or an initial net investment that is smaller than would be required for other types of contracts that would be expected to have a similar response to changes in market factors.
- It is settled at a future date.

## Accounting Policies

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### 1.9 Financial instruments (continued)

The effective interest method is a method of calculating the amortised cost of a financial asset or a financial liability (or group of financial assets or financial liabilities) and of allocating the interest income or interest expense over the relevant period. The effective interest rate is the rate that exactly discounts estimated future cash payments or receipts through the expected life of the financial instrument or, when appropriate, a shorter period to the net carrying amount of the financial asset or financial liability. When calculating the effective interest rate, an entity shall estimate cash flows considering all contractual terms of the financial instrument (for example, prepayment, call and similar options) but shall not consider future credit losses. The calculation includes all fees and points paid or received between parties to the contract that are an integral part of the effective interest rate (see the Standard of GRAP on Revenue from Exchange Transactions), transaction costs, and all other premiums or discounts. There is a presumption that the cash flows and the expected life of a group of similar financial instruments can be estimated reliably. However, in those rare cases when it is not possible to reliably estimate the cash flows or the expected life of a financial instrument (or group of financial instruments), the entity shall use the contractual cash flows over the full contractual term of the financial instrument (or group of financial instruments).

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable willing parties in an arm's length transaction.

A financial asset is:

- cash;
- a residual interest of another entity; or
- a contractual right to:
  - receive cash or another financial asset from another entity; or
  - exchange financial assets or financial liabilities with another entity under conditions that are potentially favourable to the entity.

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

A financial liability is any liability that is a contractual obligation to:

- deliver cash or another financial asset to another entity; or
- exchange financial assets or financial liabilities under conditions that are potentially unfavourable to the entity.

Interest rate risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market interest rates.

Liquidity risk is the risk encountered by an entity in the event of difficulty in meeting obligations associated with financial liabilities that are settled by delivering cash or another financial asset.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

Loans payable are financial liabilities, other than short-term payables on normal credit terms.

Market risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices. Market risk comprises three types of risk: currency risk, interest rate risk and other price risk.

Other price risk is the risk that the fair value or future cash flows of a financial instrument will fluctuate because of changes in market prices (other than those arising from interest rate risk or currency risk), whether those changes are caused by factors specific to the individual financial instrument or its issuer, or factors affecting all similar financial instruments traded in the market.

A financial asset is past due when a counterparty has failed to make a payment when contractually due.

A residual interest is any contract that manifests an interest in the assets of an entity after deducting all of its liabilities. A residual interest includes contributions from owners, which may be shown as:

- equity instruments or similar forms of unissued capital;
- a formal designation of a transfer of resources (or a class of such transfers) by the parties to the transaction as forming part of an entity's net assets, either before the contribution occurs or at the time of the contribution; or
- a formal agreement, in relation to the contribution, establishing or increasing an existing financial interest in the net assets of an entity.



# Newcastle Municipality

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## Accounting Policies

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### 1.9 Financial instruments (continued)

Transaction costs are incremental costs that are directly attributable to the acquisition, issue or disposal of a financial asset or financial liability. An incremental cost is one that would not have been incurred if the entity had not acquired, issued or disposed of the financial instrument.

Financial instruments at amortised cost are non-derivative financial assets or non-derivative financial liabilities that have fixed or determinable payments, excluding those instruments that:

- the entity designates at fair value at initial recognition; or
- are held for trading.

Financial instruments at cost are investments in residual interests that do not have a quoted market price in an active market, and whose fair value cannot be reliably measured.

Financial instruments at fair value comprise financial assets or financial liabilities that are:

- derivatives;
- combined instruments that are designated at fair value;
- instruments held for trading. A financial instrument is held for trading if:
  - it is acquired or incurred principally for the purpose of selling or repurchasing it in the near-term; or
  - on initial recognition it is part of a portfolio of identified financial instruments that are managed together and for which there is evidence of a recent actual pattern of short term profit-taking;
  - non-derivative financial assets or financial liabilities with fixed or determinable payments that are designated at fair value at initial recognition; and
  - financial instruments that do not meet the definition of financial instruments at amortised cost or financial instruments at cost.

#### Initial recognition

The entity recognises a financial asset or a financial liability in its statement of financial position when the entity becomes a party to the contractual provisions of the instrument.

The entity recognises financial assets using trade date accounting.

#### Initial measurement of financial assets and financial liabilities

The entity measures a financial asset and financial liability initially at its fair value plus transaction costs that are directly attributable to the acquisition or issue of the financial asset or financial liability.

The entity measures a financial asset and financial liability initially at its fair value [if subsequently measured at fair value].

The entity first assesses whether the substance of a concessionary loan is in fact a loan. On initial recognition, the entity analyses a concessionary loan into its component parts and accounts for each component separately. The entity accounts for that part of a concessionary loan that is:

- a social benefit in accordance with the Framework for the Preparation and Presentation of Financial Statements, where it is the issuer of the loan; or
- non-exchange revenue, in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers), where it is the recipient of the loan.

# Newcastle Municipality

Annual Financial Statements for the year ended June 30, 2016

## Accounting Policies

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### 1.9 Financial instruments (continued)

#### Subsequent measurement of financial assets and financial liabilities

The entity measures all financial assets and financial liabilities after initial recognition using the following categories:

- Financial instruments at fair value.
- Financial instruments at amortised cost.
- Financial instruments at cost.

All financial assets measured at amortised cost, or cost, are subject to an impairment review.

#### Reclassification

The entity does not reclassify a financial instrument while it is issued or held unless it is:

- combined instrument that is required to be measured at fair value; or
- an investment in a residual interest that meets the requirements for reclassification.

Where the entity cannot reliably measure the fair value of an embedded derivative that has been separated from a host contract that is a financial instrument at a subsequent reporting date, it measures the combined instrument at fair value. This requires a reclassification of the instrument from amortised cost or cost to fair value.

If fair value can no longer be measured reliably for an investment in a residual interest measured at fair value, the entity reclassifies the investment from fair value to cost. The carrying amount at the date that fair value is no longer available becomes the cost.

If a reliable measure becomes available for an investment in a residual interest for which a measure was previously not available, and the instrument would have been required to be measured at fair value, the entity reclassifies the instrument from cost to fair value.

#### Gains and losses

A gain or loss arising from a change in the fair value of a financial asset or financial liability measured at fair value is recognised in surplus or deficit.

For financial assets and financial liabilities measured at amortised cost or cost, a gain or loss is recognised in surplus or deficit when the financial asset or financial liability is derecognised or impaired, or through the amortisation process.

#### Impairment and uncollectibility of financial assets

The entity assess at the end of each reporting period whether there is any objective evidence that a financial asset or group of financial assets is impaired.

Financial assets measured at amortised cost:

If there is objective evidence that an impairment loss on financial assets measured at amortised cost has been incurred, the amount of the loss is measured as the difference between the asset's carrying amount and the present value of estimated future cash flows (excluding future credit losses that have not been incurred) discounted at the financial asset's original effective interest rate. The carrying amount of the asset is reduced directly OR through the use of an allowance account. The amount of the loss is recognised in surplus or deficit.

If, in a subsequent period, the amount of the impairment loss decreases and the decrease can be related objectively to an event occurring after the impairment was recognised, the previously recognised impairment loss is reversed directly OR by adjusting an allowance account. The reversal does not result in a carrying amount of the financial asset that exceeds what the amortised cost would have been had the impairment not been recognised at the date the impairment is reversed. The amount of the reversal is recognised in surplus or deficit.

Financial assets measured at cost:

If there is objective evidence that an impairment loss has been incurred on an investment in a residual interest that is not measured at fair value because its fair value cannot be measured reliably, the amount of the impairment loss is measured as the difference between the carrying amount of the financial asset and the present value of estimated future cash flows discounted at the current market rate of return for a similar financial asset. Such impairment losses are not reversed.

# Newcastle Municipality

Annual Financial Statements for the year ended June 30, 2016

## Accounting Policies

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### 1.9 Financial instruments (continued)

#### Derecognition

##### Financial assets

The entity derecognises financial assets using trade date accounting.

The entity derecognises a financial asset only when:

- the contractual rights to the cash flows from the financial asset expire, are settled or waived;
- the entity transfers to another party substantially all of the risks and rewards of ownership of the financial asset; or
- the entity, despite having retained some significant risks and rewards of ownership of the financial asset, has transferred control of the asset to another party and the other party has the practical ability to sell the asset in its entirety to an unrelated third party, and is able to exercise that ability unilaterally and without needing to impose additional restrictions on the transfer. In this case, the entity :
  - derecognise the asset; and
  - recognise separately any rights and obligations created or retained in the transfer.

The carrying amounts of the transferred asset are allocated between the rights or obligations retained and those transferred on the basis of their relative fair values at the transfer date. Newly created rights and obligations are measured at their fair values at that date. Any difference between the consideration received and the amounts recognised and derecognised is recognised in surplus or deficit in the period of the transfer.

If the entity transfers a financial asset in a transfer that qualifies for derecognition in its entirety and retains the right to service the financial asset for a fee, it recognise either a servicing asset or a servicing liability for that servicing contract. If the fee to be received is not expected to compensate the entity adequately for performing the servicing, a servicing liability for the servicing obligation is recognised at its fair value. If the fee to be received is expected to be more than adequate compensation for the servicing, a servicing asset is recognised for the servicing right at an amount determined on the basis of an allocation of the carrying amount of the larger financial asset.

If, as a result of a transfer, a financial asset is derecognised in its entirety but the transfer results in the entity obtaining a new financial asset or assuming a new financial liability, or a servicing liability, the entity recognise the new financial asset, financial liability or servicing liability at fair value.

On derecognition of a financial asset in its entirety, the difference between the carrying amount and the sum of the consideration received is recognised in surplus or deficit.

If the transferred asset is part of a larger financial asset and the part transferred qualifies for derecognition in its entirety, the previous carrying amount of the larger financial asset is allocated between the part that continues to be recognised and the part that is derecognised, based on the relative fair values of those parts, on the date of the transfer. For this purpose, a retained servicing asset is treated as a part that continues to be recognised. The difference between the carrying amount allocated to the part derecognised and the sum of the consideration received for the part derecognised is recognised in surplus or deficit.

If a transfer does not result in derecognition because the entity has retained substantially all the risks and rewards of ownership of the transferred asset, the entity continue to recognise the transferred asset in its entirety and recognise a financial liability for the consideration received. In subsequent periods, the entity recognises any revenue on the transferred asset and any expense incurred on the financial liability. Neither the asset, and the associated liability nor the revenue, and the associated expenses are offset.

##### Financial liabilities

The entity removes a financial liability (or a part of a financial liability) from its statement of financial position when it is extinguished — i.e. when the obligation specified in the contract is discharged, cancelled, expires or waived.

An exchange between an existing borrower and lender of debt instruments with substantially different terms is accounted for as having extinguished the original financial liability and a new financial liability is recognised. Similarly, a substantial modification of the terms of an existing financial liability or a part of it is accounted for as having extinguished the original financial liability and having recognised a new financial liability.

# Newcastle Municipality

Annual Financial Statements for the year ended June 30, 2016

## Accounting Policies

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### 1.9 Financial instruments (continued)

The difference between the carrying amount of a financial liability (or part of a financial liability) extinguished or transferred to another party and the consideration paid, including any non-cash assets transferred or liabilities assumed, is recognised in surplus or deficit. Any liabilities that are waived, forgiven or assumed by another entity by way of a non-exchange transaction are accounted for in accordance with the Standard of GRAP on Revenue from Non-exchange Transactions (Taxes and Transfers).

#### Presentation

Interest relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Dividends or similar distributions relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Losses and gains relating to a financial instrument or a component that is a financial liability is recognised as revenue or expense in surplus or deficit.

Distributions to holders of residual interests are recognised by the entity directly in net assets. Transaction costs incurred on residual interests are accounted for as a deduction from net assets. Income tax [where applicable] relating to distributions to holders of residual interests and to transaction costs incurred on residual interests are accounted for in accordance with the International Accounting Standard on Income Taxes.

A financial asset and a financial liability are only offset and the net amount presented in the statement of financial position when the entity currently has a legally enforceable right to set off the recognised amounts and intends either to settle on a net basis, or to realise the asset and settle the liability simultaneously.

In accounting for a transfer of a financial asset that does not qualify for derecognition, the entity does not offset the transferred asset and the associated liability.

### 1.10 Cash and Cash Equivalent

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of twelve months or less and are subject to an insignificant risk of change in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The Municipality categorises cash and cash equivalents as Financial assets. The closing balance on the bank account is representative of its fair value of the monies held.

### 1.11 Leases

A lease is classified as a finance lease if it transfers substantially all the risks and rewards incidental to ownership. A lease is classified as an operating lease if it does not transfer substantially all the risks and rewards incidental to ownership.

When a lease includes both land and buildings elements, the entity assesses the classification of each element separately.

#### Finance leases - lessee

Finance leases are recognised as assets and liabilities in the statement of financial position at amounts equal to the fair value of the leased property or, if lower, the present value of the minimum lease payments. The corresponding liability to the lessor is included in the statement of financial position as a finance lease obligation.

The discount rate used in calculating the present value of the minimum lease payments is the interest rate implicit in the lease.

Minimum lease payments are apportioned between the finance charge and reduction of the outstanding liability. The finance charge is allocated to each period during the lease term so as to produce a constant periodic rate of on the remaining balance of the liability.

Any contingent rents are expensed in the period in which they are incurred.

# Newcastle Municipality

Annual Financial Statements for the year ended June 30, 2016

## Accounting Policies

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### 1.11 Leases (continued)

#### Operating leases - lessor

Operating lease revenue is recognised as revenue on a straight-line basis over the lease term.

Initial direct costs incurred in negotiating and arranging operating leases are added to the carrying amount of the leased asset and recognised as an expense over the lease term on the same basis as the lease revenue.

The aggregate cost of incentives is recognised as a reduction of rental revenue over the lease term on a straight-line basis.

The aggregate benefit of incentives is recognised as a reduction of rental expense over the lease term on a straight-line basis.

Income for leases is disclosed under revenue in statement of financial performance.

#### Operating leases - lessee

Operating lease payments are recognised as an expense on a straight-line basis over the lease term. The difference between the amounts recognised as an expense and the contractual payments are recognised as an operating lease asset or liability.

### 1.12 Inventories

Inventories are initially measured at cost except where inventories are acquired through a non-exchange transaction, then their costs are their fair value as at the date of acquisition.

Subsequently inventories are measured at the lower of cost and net realisable value.

Inventories are measured at the lower of cost and current replacement cost where they are held for;

- distribution at no charge or for a nominal charge; or
- consumption in the production process of goods to be distributed at no charge or for a nominal charge.

Net realisable value is the estimated selling price in the ordinary course of operations less the estimated costs of completion and the estimated costs necessary to make the sale, exchange or distribution.

Current replacement cost is the cost the municipality incurs to acquire the asset on the reporting date.

The cost of inventories comprises of all costs of purchase, costs of conversion and other costs incurred in bringing the inventories to their present location and condition.

The cost of inventories of items that are not ordinarily interchangeable and goods or services produced and segregated for specific projects is assigned using specific identification of the individual costs.

The cost of inventories is assigned using the weighted average cost formula. The same cost formula is used for all inventories having a similar nature and use to the municipality.

When inventories are sold, the carrying amounts of those inventories are recognised as an expense in the period in which the related revenue is recognised. If there is no related revenue, the expenses are recognised when the goods are distributed, or related services are rendered. The amount of any write-down of inventories to net realisable value or current replacement cost and all losses of inventories are recognised as an expense in the period the write-down or loss occurs. The amount of any reversal of any write-down of inventories, arising from an increase in net realisable value or current replacement cost, are recognised as a reduction in the amount of inventories recognised as an expense in the period in which the reversal occurs.

### 1.13 Impairment of cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

# Newcastle Municipality

Annual Financial Statements for the year ended June 30, 2016

## Accounting Policies

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### 1.13 Impairment of cash-generating assets (continued)

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable amount of an asset or a cash-generating unit is the higher its fair value less costs to sell and its value in use.

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish cash-generating assets from non-cash-generating assets are as follow:

#### Identification

When the carrying amount of a cash-generating asset exceeds its recoverable amount, it is impaired.

The municipality assesses at each reporting date whether there is any indication that a cash-generating asset may be impaired. If any such indication exists, the municipality estimates the recoverable amount of the asset.

Irrespective of whether there is any indication of impairment, the municipality also test a cash-generating intangible asset with an indefinite useful life or a cash-generating intangible asset not yet available for use for impairment annually by comparing its carrying amount with its recoverable amount. This impairment test is performed at the same time every year. If an intangible asset was initially recognised during the current reporting period, that intangible asset was tested for impairment before the end of the current reporting period.

#### Value in use

Value in use of a cash-generating asset is the present value of the estimated future cash flows expected to be derived from the continuing use of an asset and from its disposal at the end of its useful life.

When estimating the value in use of an asset, the municipality estimates the future cash inflows and outflows to be derived from continuing use of the asset and from its ultimate disposal and the municipality applies the appropriate discount rate to those future cash flows.

## Accounting Policies

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### 1.13 Impairment of cash-generating assets (continued)

#### Reversal of impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a cash-generating asset may no longer exist or may have decreased. If any such indication exists, the entity estimates the recoverable amount of that asset.

An impairment loss recognised in prior periods for a cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the cash-generating asset is adjusted in future periods to allocate the cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

A reversal of an impairment loss for a cash-generating unit is allocated to the cash-generating assets of the unit pro rata with the carrying amounts of those assets. These increases in carrying amounts are treated as reversals of impairment losses for individual assets. No part of the amount of such a reversal is allocated to a non-cash-generating asset contributing service potential to a cash-generating unit.

In allocating a reversal of an impairment loss for a cash-generating unit, the carrying amount of an asset is not increased above the lower of:

- its recoverable amount (if determinable); and
- the carrying amount that would have been determined (net of amortisation or depreciation) had no impairment loss been recognised for the asset in prior periods.

The amount of the reversal of the impairment loss that would otherwise have been allocated to the asset is allocated pro rata to the other assets of the unit.

### 1.14 Impairment of non-cash-generating assets

Cash-generating assets are assets managed with the objective of generating a commercial return. An asset generates a commercial return when it is deployed in a manner consistent with that adopted by a profit-oriented entity.

Non-cash-generating assets are assets other than cash-generating assets.

Impairment is a loss in the future economic benefits or service potential of an asset, over and above the systematic recognition of the loss of the asset's future economic benefits or service potential through depreciation (amortisation).

Carrying amount is the amount at which an asset is recognised in the statement of financial position after deducting any accumulated depreciation and accumulated impairment losses thereon.

A cash-generating unit is the smallest identifiable group of assets managed with the objective of generating a commercial return that generates cash inflows from continuing use that are largely independent of the cash inflows from other assets or groups of assets.

Costs of disposal are incremental costs directly attributable to the disposal of an asset, excluding finance costs and income tax expense.

Depreciation (Amortisation) is the systematic allocation of the depreciable amount of an asset over its useful life.

Fair value less costs to sell is the amount obtainable from the sale of an asset in an arm's length transaction between knowledgeable, willing parties, less the costs of disposal.

Recoverable service amount is the higher of a non-cash-generating asset's fair value less costs to sell and its value in use.

# Newcastle Municipality

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## Accounting Policies

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### 1.14 Impairment of non-cash-generating assets (continued)

Useful life is either:

- (a) the period of time over which an asset is expected to be used by the municipality; or
- (b) the number of production or similar units expected to be obtained from the asset by the municipality.

Criteria developed by the municipality to distinguish non-cash-generating assets from cash-generating assets are as follow:  
[Specify criteria]

#### Recognition and measurement

If the recoverable service amount of a non-cash-generating asset is less than its carrying amount, the carrying amount of the asset is reduced to its recoverable service amount. This reduction is an impairment loss.

An impairment loss is recognised immediately in surplus or deficit.

Any impairment loss of a revalued non-cash-generating asset is treated as a revaluation decrease.

When the amount estimated for an impairment loss is greater than the carrying amount of the non-cash-generating asset to which it relates, the municipality recognises a liability only to the extent that is a requirement in the Standards of GRAP.

After the recognition of an impairment loss, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

#### Reversal of an impairment loss

The municipality assess at each reporting date whether there is any indication that an impairment loss recognised in prior periods for a non-cash-generating asset may no longer exist or may have decreased. If any such indication exists, the municipality estimates the recoverable service amount of that asset.

An impairment loss recognised in prior periods for a non-cash-generating asset is reversed if there has been a change in the estimates used to determine the asset's recoverable service amount since the last impairment loss was recognised. The carrying amount of the asset is increased to its recoverable service amount. The increase is a reversal of an impairment loss. The increased carrying amount of an asset attributable to a reversal of an impairment loss does not exceed the carrying amount that would have been determined (net of depreciation or amortisation) had no impairment loss been recognised for the asset in prior periods.

A reversal of an impairment loss for a non-cash-generating asset is recognised immediately in surplus or deficit.

Any reversal of an impairment loss of a revalued non-cash-generating asset is treated as a revaluation increase.

After a reversal of an impairment loss is recognised, the depreciation (amortisation) charge for the non-cash-generating asset is adjusted in future periods to allocate the non-cash-generating asset's revised carrying amount, less its residual value (if any), on a systematic basis over its remaining useful life.

#### Redesignation

The redesignation of assets from a cash-generating asset to a non-cash-generating asset or from a non-cash-generating asset to a cash-generating asset only occur when there is clear evidence that such a redesignation is appropriate.

### 1.15 Share capital / contributed capital

An equity instrument is any contract that evidences a residual interest in the assets of an municipality after deducting all of its liabilities.

### 1.16 Employee benefits

Employee benefits are all forms of consideration given by an entity in exchange for service rendered by employees.



## Accounting Policies

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### 1.16 Employee benefits (continued)

A qualifying insurance policy is an insurance policy issued by an insurer that is not a related party (as defined in the Standard of GRAP on Related Party Disclosures) of the reporting entity, if the proceeds of the policy can be used only to pay or fund employee benefits under a defined benefit plan and are not available to the reporting entity's own creditors (even in liquidation) and cannot be paid to the reporting entity, unless either:

- the proceeds represent surplus assets that are not needed for the policy to meet all the related employee benefit obligations; or
- the proceeds are returned to the reporting entity to reimburse it for employee benefits already paid.

Termination benefits are employee benefits payable as a result of either:

- an entity's decision to terminate an employee's employment before the normal retirement date; or
- an employee's decision to accept voluntary redundancy in exchange for those benefits.

Other long-term employee benefits are employee benefits (other than post-employment benefits and termination benefits) that are not due to be settled within twelve months after the end of the period in which the employees render the related service.

Vested employee benefits are employee benefits that are not conditional on future employment.

Composite social security programmes are established by legislation and operate as multi-employer plans to provide post-employment benefits as well as to provide benefits that are not consideration in exchange for service rendered by employees.

A constructive obligation is an obligation that derives from an entity's actions where by an established pattern of past practice, published policies or a sufficiently specific current statement, the entity has indicated to other parties that it will accept certain responsibilities and as a result, the entity has created a valid expectation on the part of those other parties that it will discharge those responsibilities.

### Short-term employee benefits

Short-term employee benefits are employee benefits (other than termination benefits) that are due to be settled within twelve months after the end of the period in which the employees render the related service.

Short-term employee benefits include items such as:

- wages, salaries and social security contributions;
- short-term compensated absences (such as paid annual leave and paid sick leave) where the compensation for the absences is due to be settled within twelve months after the end of the reporting period in which the employees render the related employee service;
- bonus, incentive and performance related payments payable within twelve months after the end of the reporting period in which the employees render the related service; and
- non-monetary benefits (for example, medical care, and free or subsidised goods or services such as housing, cars and cellphones) for current employees.

When an employee has rendered service to the entity during a reporting period, the entity recognise the undiscounted amount of short-term employee benefits expected to be paid in exchange for that service:

- as a liability (accrued expense), after deducting any amount already paid. If the amount already paid exceeds the undiscounted amount of the benefits, the entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the benefits in the cost of an asset.

The expected cost of compensated absences is recognised as an expense as the employees render services that increase their entitlement or, in the case of non-accumulating absences, when the absence occurs. The entity measure the expected cost of accumulating compensated absences as the additional amount that the entity expects to pay as a result of the unused entitlement that has accumulated at the reporting date.

The entity recognise the expected cost of bonus, incentive and performance related payments when the entity has a present legal or constructive obligation to make such payments as a result of past events and a reliable estimate of the obligation can be made. A present obligation exists when the entity has no realistic alternative but to make the payments.

## Accounting Policies

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### 1.16 Employee benefits (continued)

#### Post-employment benefits

Post-employment benefits are employee benefits (other than termination benefits) which are payable after the completion of employment.

Post-employment benefit plans are formal or informal arrangements under which an entity provides post-employment benefits for one or more employees.

Multi-employer plans are defined contribution plans (other than state plans and composite social security programmes) or defined benefit plans (other than state plans) that pool the assets contributed by various entities that are not under common control and use those assets to provide benefits to employees of more than one entity, on the basis that contribution and benefit levels are determined without regard to the identity of the entity that employs the employees concerned.

#### Post-employment benefits: Defined contribution plans

Defined contribution plans are post-employment benefit plans under which an entity pays fixed contributions into a separate entity (a fund) and will have no legal or constructive obligation to pay further contributions if the fund does not hold sufficient assets to pay all employee benefits relating to employee service in the current and prior periods.

When an employee has rendered service to the entity during a reporting period, the entity recognise the contribution payable to a defined contribution plan in exchange for that service:

- as a liability (accrued expense), after deducting any contribution already paid. If the contribution already paid exceeds the contribution due for service before the reporting date, an entity recognise that excess as an asset (prepaid expense) to the extent that the prepayment will lead to, for example, a reduction in future payments or a cash refund; and
- as an expense, unless another Standard requires or permits the inclusion of the contribution in the cost of an asset.

Where contributions to a defined contribution plan do not fall due wholly within twelve months after the end of the reporting period in which the employees render the related service, they are discounted. The rate used to discount reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the obligation.

# Newcastle Municipality

Annual Financial Statements for the year ended June 30, 2016

## Accounting Policies

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### 1.16 Employee benefits (continued)

#### Post-employment benefits: Defined benefit plans

Defined benefit plans are post-employment benefit plans other than defined contribution plans.

Actuarial gains and losses comprise experience adjustments (the effects of differences between the previous actuarial assumptions and what has actually occurred) and the effects of changes in actuarial assumptions. In measuring its defined benefit liability the entity recognise actuarial gains and losses in surplus or deficit in the reporting period in which they occur.

Assets held by a long-term employee benefit fund are assets (other than non-transferable financial instruments issued by the reporting entity) that are held by an entity (a fund) that is legally separate from the reporting entity and exists solely to pay or fund employee benefits and are available to be used only to pay or fund employee benefits, are not available to the reporting entity's own creditors (even in liquidation), and cannot be returned to the reporting entity, unless either:

- the remaining assets of the fund are sufficient to meet all the related employee benefit obligations of the plan or the reporting entity; or
- the assets are returned to the reporting entity to reimburse it for employee benefits already paid.

Current service cost is the increase in the present value of the defined benefit obligation resulting from employee service in the current period.

Interest cost is the increase during a period in the present value of a defined benefit obligation which arises because the benefits are one period closer to settlement.

Past service cost is the change in the present value of the defined benefit obligation for employee service in prior periods, resulting in the current period from the introduction of, or changes to, post-employment benefits or other long-term employee benefits. Past service cost may be either positive (when benefits are introduced or changed so that the present value of the defined benefit obligation increases) or negative (when existing benefits are changed so that the present value of the defined benefit obligation decreases). In measuring its defined benefit liability the entity recognise past service cost as an expense in the reporting period in which the plan is amended.

Plan assets comprise assets held by a long-term employee benefit fund and qualifying insurance policies.

The present value of a defined benefit obligation is the present value, without deducting any plan assets, of expected future payments required to settle the obligation resulting from employee service in the current and prior periods.

The return on plan assets is interest, dividends or similar distributions and other revenue derived from the plan assets, together with realised and unrealised gains or losses on the plan assets, less any costs of administering the plan (other than those included in the actuarial assumptions used to measure the defined benefit obligation) and less any tax payable by the plan itself.

The entity account not only for its legal obligation under the formal terms of a defined benefit plan, but also for any constructive obligation that arises from the entity's informal practices. Informal practices give rise to a constructive obligation where the entity has no realistic alternative but to pay employee benefits. An example of a constructive obligation is where a change in the entity's informal practices would cause unacceptable damage to its relationship with employees.

The amount recognised as a defined benefit liability is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly;
- plus any liability that may arise as a result of a minimum funding requirement

The amount determined as a defined benefit liability may be negative (an asset). The entity measure the resulting asset at the lower of:

- the amount determined above; and
- the present value of any economic benefits available in the form of refunds from the plan or reductions in future contributions to the plan. The present value of these economic benefits is determined using a discount rate which reflects the time value of money.

Any adjustments arising from the limit above is recognised in surplus or deficit.

The entity determine the present value of defined benefit obligations and the fair value of any plan assets with sufficient regularity such that the amounts recognised in the annual financial statements do not differ materially from the amounts that would be determined at the reporting date.

# Newcastle Municipality

Annual Financial Statements for the year ended June 30, 2016

## Accounting Policies

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### 1.16 Employee benefits (continued)

The entity recognises the net total of the following amounts in surplus or deficit, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement rights;
- actuarial gains and losses;
- past service cost;
- the effect of any curtailments or settlements; and
- the effect of applying the limit on a defined benefit asset (negative defined benefit liability).

The entity uses the Projected Unit Credit Method to determine the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost. The Projected Unit Credit Method (sometimes known as the accrued benefit method pro-rated on service or as the benefit/years of service method) sees each period of service as giving rise to an additional unit of benefit entitlement and measures each unit separately to build up the final obligation.

In determining the present value of its defined benefit obligations and the related current service cost and, where applicable, past service cost, an entity shall attribute benefit to periods of service under the plan's benefit formula. However, if an employee's service in later years will lead to a materially higher level of benefit than in earlier years, an entity shall attribute benefit on a straight-line basis from:

- the date when service by the employee first leads to benefits under the plan (whether or not the benefits are conditional on further service); until
- the date when further service by the employee will lead to no material amount of further benefits under the plan, other than from further salary increases.

Actuarial valuations are conducted on an annual basis by independent actuaries separately for each plan. The results of the valuation are updated for any material transactions and other material changes in circumstances (including changes in market prices and interest rates) up to the reporting date.

The entity recognises gains or losses on the curtailment or settlement of a defined benefit plan when the curtailment or settlement occurs. The gain or loss on a curtailment or settlement comprises:

- any resulting change in the present value of the defined benefit obligation; and
- any resulting change in the fair value of the plan assets.

Before determining the effect of a curtailment or settlement, the entity re-measure the obligation (and the related plan assets, if any) using current actuarial assumptions (including current market interest rates and other current market prices).

When it is virtually certain that another party will reimburse some or all of the expenditure required to settle a defined benefit obligation, the right to reimbursement is recognised as a separate asset. The asset is measured at fair value. In all other respects, the asset is treated in the same way as plan assets. In surplus or deficit, the expense relating to a defined benefit plan is [OR is not] presented as the net of the amount recognised for a reimbursement.

The entity offsets an asset relating to one plan against a liability relating to another plan when the entity has a legally enforceable right to use a surplus in one plan to settle obligations under the other plan and intends either to settle the obligations on a net basis, or to realise the surplus in one plan and settle its obligation under the other plan simultaneously.

# Newcastle Municipality

Annual Financial Statements for the year ended June 30, 2016

## Accounting Policies

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### 1.16 Employee benefits (continued)

#### Actuarial assumptions

Actuarial assumptions are unbiased and mutually compatible.

Financial assumptions are based on market expectations, at the reporting date, for the period over which the obligations are to be settled.

The rate used to discount post-employment benefit obligations (both funded and unfunded) reflect the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the post-employment benefit obligations.

Post-employment benefit obligations are measured on a basis that reflects:

- estimated future salary increases;
- the benefits set out in the terms of the plan (or resulting from any constructive obligation that goes beyond those terms) at the reporting date; and
- estimated future changes in the level of any state benefits that affect the benefits payable under a defined benefit plan, if, and only if, either:
  - those changes were enacted before the reporting date; or
  - past history, or other reliable evidence, indicates that those state benefits will change in some predictable manner, for example, in line with future changes in general price levels or general salary levels.

Assumptions about medical costs take account of estimated future changes in the cost of medical services, resulting from both inflation and specific changes in medical costs.

#### Other post retirement obligations

The municipality provides post-retirement health care benefits, housing subsidies and gratuities upon retirement to some retirees.

The entitlement to post-retirement health care benefits is based on the employee remaining in service up to retirement age and the completion of a minimum service period. The expected costs of these benefits are accrued over the period of employment. Independent qualified actuaries carry out valuations of these obligations. The municipality also provides a gratuity and housing subsidy on retirement to certain employees. An annual charge to income is made to cover both these liabilities.

The amount recognised as a liability for other long-term employee benefits is the net total of the following amounts:

- the present value of the defined benefit obligation at the reporting date;
- minus the fair value at the reporting date of plan assets (if any) out of which the obligations are to be settled directly.

The entity shall recognise the net total of the following amounts as expense or revenue, except to the extent that another Standard requires or permits their inclusion in the cost of an asset:

- current service cost;
- interest cost;
- the expected return on any plan assets and on any reimbursement right recognised as an asset;
- actuarial gains and losses, which shall all be recognised immediately;
- past service cost, which shall all be recognised immediately; and
- the effect of any curtailments or settlements.

# Newcastle Municipality

Annual Financial Statements for the year ended June 30, 2016

## Accounting Policies

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### 1.16 Employee benefits (continued)

#### Termination benefits

The entity recognises termination benefits as a liability and an expense when the entity is demonstrably committed to either:

- terminate the employment of an employee or group of employees before the normal retirement date; or
- provide termination benefits as a result of an offer made in order to encourage voluntary redundancy.

The entity is demonstrably committed to a termination when the entity has a detailed formal plan for the termination and is without realistic possibility of withdrawal. The detailed plan includes [as a minimum]:

- the location, function, and approximate number of employees whose services are to be terminated;
- the termination benefits for each job classification or function; and
- the time at which the plan will be implemented.

Implementation begins as soon as possible and the period of time to complete implementation is such that material changes to the plan are not likely.

Where termination benefits fall due more than 12 months after the reporting date, they are discounted using an appropriate discount rate. The rate used to discount the benefit reflects the time value of money. The currency and term of the financial instrument selected to reflect the time value of money is consistent with the currency and estimated term of the benefit.

In the case of an offer made to encourage voluntary redundancy, the measurement of termination benefits shall be based on the number of employees expected to accept the offer.

### 1.17 Conditional grants and receipts

Revenue received from conditional grants, donations and funding are recognised as revenue to the extent the municipality has complied with any of the criteria, condition or obligation embodied in the agreement, to the extent the criteria, condition or obligation have not been met a liability is recognised.

### 1.18 Budget Information

Municipality are typically subject to budgetary limits in the form of appropriations or budget authorisations (or equivalent), which is given effect through authorising legislation, appropriation or similar.

General purpose financial reporting by municipality shall provide information on whether resources were obtained and used in accordance with the legally adopted budget.

The approved budget is prepared on a accrual basis and presented by economic classification linked to performance outcome objectives.

The approved budget covers the fiscal period from 7/1/2015 to 6/30/2016.

The budget for the economic entity includes all the entities approved budgets under its control.

The annual financial statements and the budget are on the same basis of accounting therefore a comparison with the budgeted amounts for the reporting period have been included in the Statement of comparison of budget and actual amounts.

### 1.19 Cash and Cash Equivalent

Cash includes cash on hand (including petty cash) and cash with banks (including call deposits). Cash equivalents are short-term highly liquid investments, readily convertible into known amounts of cash that are held with registered banking institutions with maturities of twelve months or less and are subject to an insignificant risk of change in value.

For the purposes of the Cash Flow Statement, cash and cash equivalents comprise cash on hand, deposits held on call with banks, net of bank overdrafts. The Municipality categorises cash and cash equivalents as Financial assets. The closing balance on the bank account is representative of its fair value of the monies held.

# Newcastle Municipality

Annual Financial Statements for the year ended June 30, 2016

## Accounting Policies

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### 1.20 Provisions and contingencies

Provisions are recognised when:

- the municipality has a present obligation as a result of a past event;
- it is probable that an outflow of resources embodying economic benefits or service potential will be required to settle the obligation; and
- a reliable estimate can be made of the obligation.

The amount of a provision is the best estimate of the expenditure expected to be required to settle the present obligation at the reporting date.

Where the effect of time value of money is material, the amount of a provision is the present value of the expenditures expected to be required to settle the obligation.

The discount rate is a pre-tax rate that reflects current market assessments of the time value of money and the risks specific to the liability.

Where some or all of the expenditure required to settle a provision is expected to be reimbursed by another party, the reimbursement is recognised when, and only when, it is virtually certain that reimbursement will be received if the municipality settles the obligation. The reimbursement is treated as a separate asset. The amount recognised for the reimbursement does not exceed the amount of the provision.

Provisions are reviewed at each reporting date and adjusted to reflect the current best estimate. Provisions are reversed if it is no longer probable that an outflow of resources embodying economic benefits or service potential will be required, to settle the obligation.

Where discounting is used, the carrying amount of a provision increases in each period to reflect the passage of time. This increase is recognised as an interest expense.

A provision is used only for expenditures for which the provision was originally recognised.

Provisions are not recognised for future operating deficits.

If an entity has a contract that is onerous, the present obligation (net of recoveries) under the contract is recognised and measured as a provision.

A constructive obligation to restructure arises only when an entity:

- has a detailed formal plan for the restructuring, identifying at least:
  - the activity/operating unit or part of a activity/operating unit concerned;
  - the principal locations affected;
  - the location, function, and approximate number of employees who will be compensated for services being terminated;
  - the expenditures that will be undertaken; and
  - when the plan will be implemented; and
- has raised a valid expectation in those affected that it will carry out the restructuring by starting to implement that plan or announcing its main features to those affected by it.

A restructuring provision includes only the direct expenditures arising from the restructuring, which are those that are both:

- necessarily entailed by the restructuring; and
- not associated with the ongoing activities of the municipality

No obligation arises as a consequence of the sale or transfer of an operation until the municipality is committed to the sale or transfer, that is, there is a binding arrangement.

After their initial recognition contingent liabilities recognised in entity combinations that are recognised separately are subsequently measured at the higher of:

- the amount that would be recognised as a provision; and
- the amount initially recognised less cumulative amortisation.

Contingent assets and contingent liabilities are not recognised. Contingencies are disclosed in note 45.

# Newcastle Municipality

Annual Financial Statements for the year ended June 30, 2016

## Accounting Policies

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### 1.20 Provisions and contingencies (continued)

A financial guarantee contract is a contract that requires the issuer to make specified payments to reimburse the holder for a loss it incurs because a specified debtor fails to make payment when due in accordance with the original or modified terms of a debt instrument.

Loan commitment is a firm commitment to provide credit under pre-specified terms and conditions.

The municipality recognises a provision for financial guarantees and loan commitments when it is probable that an outflow of resources embodying economic benefits and service potential will be required to settle the obligation and a reliable estimate of the obligation can be made.

Determining whether an outflow of resources is probable in relation to financial guarantees requires judgement. Indications that an outflow of resources may be probable are:

- financial difficulty of the debtor;
- defaults or delinquencies in interest and capital repayments by the debtor;
- breaches of the terms of the debt instrument that result in it being payable earlier than the agreed term and the ability of the debtor to settle its obligation on the amended terms; and
- a decline in prevailing economic circumstances (e.g. high interest rates, inflation and unemployment) that impact on the ability of entities to repay their obligations.

Where a fee is received by the municipality for issuing a financial guarantee and/or where a fee is charged on loan commitments, it is considered in determining the best estimate of the amount required to settle the obligation at reporting date. Where a fee is charged and the municipality considers that an outflow of economic resources is probable, an municipality recognises the obligation at the higher of:

- the amount determined using in the Standard of GRAP on Provisions, Contingent Liabilities and Contingent Assets; and
- the amount of the fee initially recognised less, where appropriate, cumulative amortisation recognised in accordance with the Standard of GRAP on Revenue from Exchange Transactions.



## Accounting Policies

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### 1.20 Provisions and contingencies (continued)

#### Decommissioning, restoration and similar liability

Changes in the measurement of an existing decommissioning, restoration and similar liability that result from changes in the estimated timing or amount of the outflow of resources embodying economic benefits or service potential required to settle the obligation, or a change in the discount rate, is accounted for as follows:

If the related asset is measured using the cost model:

- changes in the liability is added to, or deducted from, the cost of the related asset in the current period.
- the amount deducted from the cost of the asset does not exceed its carrying amount. If a decrease in the liability exceeds the carrying amount of the asset, the excess is recognised immediately in surplus or deficit.
- if the adjustment results in an addition to the cost of an asset, the entity consider whether this is an indication that the new carrying amount of the asset may not be fully recoverable. If there is such an indication, the entity test the asset for impairment by estimating its recoverable amount or recoverable service amount, and account for any impairment loss, in accordance with the accounting policy on impairment of assets as described in accounting policy 1.13 and 1.14.

If the related asset is measured using the revaluation model:

- changes in the liability alter the revaluation surplus or deficit previously recognised on that asset, so that:
  - a decrease in the liability is credited directly to revaluation surplus in net assets, except that it is recognised in surplus or deficit to the extent that it reverses a revaluation deficit on the asset that was previously recognised in surplus or deficit; and
  - an increase in the liability is recognised in surplus or deficit, except that it is debited directly to revaluation surplus in net assets to the extent of any credit balance existing in the revaluation surplus in respect of that asset;
- in the event that a decrease in the liability exceeds the carrying amount that would have been recognised had the asset been carried under the cost model, the excess is recognised immediately in surplus or deficit;
- a change in the liability is an indication that the asset may have to be revalued in order to ensure that the carrying amount does not differ materially from that which would be determined using fair value at the reporting date. Any such revaluation is taken into account in determining the amounts to be taken to surplus or deficit and net assets. If a revaluation is necessary, all assets of that class is revalued; and
- the Standard of GRAP on Presentation of Financial Statements requires disclosure on the face of the statement of changes in net assets of each item of revenue or expense that is recognised directly in net assets. In complying with this requirement, the change in the revaluation surplus arising from a change in the liability is separately identified and disclosed as such.

The adjusted depreciable amount of the asset is depreciated over its useful life. Therefore, once the related asset has reached the end of its useful life, all subsequent changes in the liability is recognised in surplus or deficit as they occur. This applies under both the cost model and the revaluation model.

The periodic unwinding of the discount is recognised in surplus or deficit as a finance cost as it occurs.

### 1.21 Revenue from exchange transactions

Revenue is the gross inflow of economic benefits or service potential during the reporting period when those inflows result in an increase in net assets, other than increases relating to contributions from owners.

An exchange transaction is one in which the municipality receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of goods, services or use of assets) to the other party in exchange.

Fair value is the amount for which an asset could be exchanged, or a liability settled, between knowledgeable, willing parties in an arm's length transaction.

#### Measurement

Revenue is measured at the fair value of the consideration received or receivable, net of trade discounts and volume rebates.

# Newcastle Municipality

Annual Financial Statements for the year ended June 30, 2016

## Accounting Policies

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### 1.21 Revenue from exchange transactions (continued)

#### Sale of goods

Revenue from the sale of goods is recognised when all the following conditions have been satisfied:

- the municipality has transferred to the purchaser the significant risks and rewards of ownership of the goods;
- the municipality retains neither continuing managerial involvement to the degree usually associated with ownership nor effective control over the goods sold;
- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality; and
- the costs incurred or to be incurred in respect of the transaction can be measured reliably.

#### Rendering of services

When the outcome of a transaction involving the rendering of services can be estimated reliably, revenue associated with the transaction is recognised by reference to the stage of completion of the transaction at the reporting date. The outcome of a transaction can be estimated reliably when all the following conditions are satisfied:

- the amount of revenue can be measured reliably;
- it is probable that the economic benefits or service potential associated with the transaction will flow to the municipality;
- the stage of completion of the transaction at the reporting date can be measured reliably; and
- the costs incurred for the transaction and the costs to complete the transaction can be measured reliably.

When services are performed by an indeterminate number of acts over a specified time frame, revenue is recognised on a straight line basis over the specified time frame unless there is evidence that some other method better represents the stage of completion. When a specific act is much more significant than any other acts, the recognition of revenue is postponed until the significant act is executed.

When the outcome of the transaction involving the rendering of services cannot be estimated reliably, revenue is recognised only to the extent of the expenses recognised that are recoverable.

Service revenue is recognised by reference to the stage of completion of the transaction at the reporting date. Stage of completion is determined by .

### 1.22 Revenue from non-exchange transactions

Revenue comprises gross inflows of economic benefits or service potential received and receivable by an municipality, which represents an increase in net assets, other than increases relating to contributions from owners.

Conditions on transferred assets are stipulations that specify that the future economic benefits or service potential embodied in the asset is required to be consumed by the recipient as specified or future economic benefits or service potential must be returned to the transferor.

Control of an asset arise when the municipality can use or otherwise benefit from the asset in pursuit of its objectives and can exclude or otherwise regulate the access of others to that benefit.

Exchange transactions are transactions in which one entity receives assets or services, or has liabilities extinguished, and directly gives approximately equal value (primarily in the form of cash, goods, services, or use of assets) to another entity in exchange.

Expenses paid through the tax system are amounts that are available to beneficiaries regardless of whether or not they pay taxes.

Fines are economic benefits or service potential received or receivable by entities, as determined by a court or other law enforcement body, as a consequence of the breach of laws or regulations.

Non-exchange transactions are transactions that are not exchange transactions. In a non-exchange transaction, an municipality either receives value from another municipality without directly giving approximately equal value in exchange, or gives value to another municipality without directly receiving approximately equal value in exchange.

# Newcastle Municipality

Annual Financial Statements for the year ended June 30, 2016

## Accounting Policies

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### 1.22 Revenue from non-exchange transactions (continued)

Restrictions on transferred assets are stipulations that limit or direct the purposes for which a transferred asset may be used, but do not specify that future economic benefits or service potential is required to be returned to the transferor if not deployed as specified.

Stipulations on transferred assets are terms in laws or regulation, or a binding arrangement, imposed upon the use of a transferred asset by entities external to the reporting municipality.

Tax expenditures are preferential provisions of the tax law that provide certain taxpayers with concessions that are not available to others.

The taxable event is the event that the government, legislature or other authority has determined will be subject to taxation.

Taxes are economic benefits or service potential compulsorily paid or payable to entities, in accordance with laws and or regulations, established to provide revenue to government. Taxes do not include fines or other penalties imposed for breaches of the law.

Transfers are inflows of future economic benefits or service potential from non-exchange transactions, other than taxes.

#### Recognition

An inflow of resources from a non-exchange transaction recognised as an asset is recognised as revenue, except to the extent that a liability is also recognised in respect of the same inflow.

As the municipality satisfies a present obligation recognised as a liability in respect of an inflow of resources from a non-exchange transaction recognised as an asset, it reduces the carrying amount of the liability recognised and recognises an amount of revenue equal to that reduction.

#### Measurement

Revenue from a non-exchange transaction is measured at the amount of the increase in net assets recognised by the municipality.

When, as a result of a non-exchange transaction, the municipality recognises an asset, it also recognises revenue equivalent to the amount of the asset measured at its fair value as at the date of acquisition, unless it is also required to recognise a liability. Where a liability is required to be recognised it will be measured as the best estimate of the amount required to settle the obligation at the reporting date, and the amount of the increase in net assets, if any, recognised as revenue. When a liability is subsequently reduced, because the taxable event occurs or a condition is satisfied, the amount of the reduction in the liability is recognised as revenue.

#### Fines

Fines are recognised as revenue when the receivable meets the definition of an asset and satisfies the criteria for recognition as an asset.

Assets arising from fines are measured at the best estimate of the inflow of resources to the municipality.

### 1.23 Investment income

Investment income is recognised on a time-proportion basis using the effective interest method.

### 1.24 Self Insurance fund

The insurance fund is accounted for at net of cost, and any liability thereto, and adjustments are made only where there are valid claims to the fund.

### 1.25 Comparative figures

Where necessary, comparative figures have been reclassified to conform to changes in presentation in the current year.

# Newcastle Municipality

Annual Financial Statements for the year ended June 30, 2016

## Accounting Policies

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### 1.26 Unauthorised expenditure

Unauthorised expenditure means:

- overspending of a vote or a main division within a vote; and
- expenditure not in accordance with the purpose of a vote or, in the case of a main division, not in accordance with the purpose of the main division.

All expenditure relating to unauthorised expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.27 Fruitless and wasteful expenditure

Fruitless expenditure means expenditure which was made in vain and would have been avoided had reasonable care been exercised.

All expenditure relating to fruitless and wasteful expenditure is recognised as an expense in the statement of financial performance in the year that the expenditure was incurred. The expenditure is classified in accordance with the nature of the expense, and where recovered, it is subsequently accounted for as revenue in the statement of financial performance.

### 1.28 Irregular expenditure

Irregular expenditure as defined in section 1 of the PFMA is expenditure other than unauthorised expenditure, incurred in contravention of or that is not in accordance with a requirement of any applicable legislation, including -

- (a) this Act; or
- (b) the State Tender Board Act, 1968 (Act No. 86 of 1968), or any regulations made in terms of the Act; or
- (c) any provincial legislation providing for procurement procedures in that provincial government.

National Treasury practice note no. 4 of 2008/2009 which was issued in terms of sections 76(1) to 76(4) of the PFMA requires the following (effective from 1 April 2008):

Irregular expenditure that was incurred and identified during the current financial and which was condoned before year end and/or before finalisation of the financial statements must also be recorded appropriately in the irregular expenditure register. In such an instance, no further action is also required with the exception of updating the note to the financial statements.

Irregular expenditure that was incurred and identified during the current financial year and for which condonement is being awaited at year end must be recorded in the irregular expenditure register. No further action is required with the exception of updating the note to the financial statements.

Where irregular expenditure was incurred in the previous financial year and is only condoned in the following financial year, the register and the disclosure note to the financial statements must be updated with the amount condoned.

Irregular expenditure that was incurred and identified during the current financial year and which was not condoned by the National Treasury or the relevant authority must be recorded appropriately in the irregular expenditure register. If liability for the irregular expenditure can be attributed to a person, a debt account must be created if such a person is liable in law. Immediate steps must thereafter be taken to recover the amount from the person concerned. If recovery is not possible, the accounting officer or accounting authority may write off the amount as debt impairment and disclose such in the relevant note to the financial statements. The irregular expenditure register must also be updated accordingly. If the irregular expenditure has not been condoned and no person is liable in law, the expenditure related thereto must remain against the relevant programme/expenditure item, be disclosed as such in the note to the financial statements and updated accordingly in the irregular expenditure register.

Irregular expenditure is expenditure that is contrary to the Municipal Finance Management Act (Act No.56 of 2003), the Municipal Systems Act (Act No.32 of 2000), and the Public Office Bearers Act (Act No. 20 of 1998) or is in contravention of the economic entity's supply chain management policy. Irregular expenditure excludes unauthorised expenditure. Irregular expenditure is accounted for as expenditure in the Statement of Financial Performance and where recovered, it is subsequently accounted for as revenue in the Statement of Financial Performance.

# Newcastle Municipality

Annual Financial Statements for the year ended June 30, 2016

## Accounting Policies

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### 1.29 Capital Commitments

Capital commitments are approved and contracted for when the tender is awarded to the contractor and valid contracts have been signed by both the Accounting Officer and the contractor.

Capital commitments are approved but not yet contracted for are those capital projects that are appropriated in the capital budget and which are approved by council. These are municipal capital projects for which the tendering process has not commenced and therefore not yet allocated to a contractor through competitive bidding process.

### 1.30 Housing development fund

The Housing Development Fund was established in terms of the Housing Act, (Act No. 107 of 1997). Loans from national and provincial government used to finance housing selling schemes undertaken by the municipality were extinguished on 1 April 1998 and transferred to a Housing Development Fund. Housing selling schemes, both complete and in progress as at 1 April 1998, were also transferred to the Housing Development Fund. In terms of the Housing Act, all proceeds from housing developments, which include rental income and sales of houses, must be paid into the Housing Development Fund. Monies standing to the credit of the Housing Development Fund can be used only to finance housing developments within the municipal area subject to the approval of the Provincial MEC responsible for housing.

### 1.31 Related parties

The municipality operates in an economic sector currently dominated by entities directly or indirectly owned by the South African Government. As a consequence of the constitutional independence of the three spheres of government in South Africa, only entities within the local sphere of government are considered to be related parties.

Management are those persons responsible for planning, directing and controlling the activities of the municipality, including those charged with the governance of the municipality in accordance with legislation, in instances where they are required to perform such functions.

Close members of the family of a person are considered to be those family members who may be expected to influence, or be influenced by, that management in their dealings with the municipality.

Only transactions with related parties not at arm's length or not in the ordinary course of business are disclosed.

### 1.32 Events after reporting date

Events after reporting date are those events, both favourable and unfavourable, that occur between the reporting date and the date when the financial statements are authorised for issue. Two types of events can be identified:

- those that provide evidence of conditions that existed at the reporting date (adjusting events after the reporting date); and
- those that are indicative of conditions that arose after the reporting date (non-adjusting events after the reporting date).

The municipality will adjust the amount recognised in the financial statements to reflect adjusting events after the reporting date once the event occurred.

The municipality will disclose the nature of the event and an estimate of its financial effect or a statement that such estimate cannot be made in respect of all material non-adjusting events, where non-disclosure could influence the economic decisions of users taken on the basis of the financial statements.

### 1.33 Assets under construction

The cost of property, plant and equipment that is under construction as of the reporting date is recognised as an asset if:  
(a) it is probable that future economic benefits or service potential associated with the item(s) will flow to the municipality, and  
(b) the cost or fair value of the item(s) can be measured reliably.

Assets under construction consists of expenditure for the construction of buildings, certain land improvements, infrastructure assets and networks and any other capital projects that are under construction as of the reporting date. Expenditure comprises direct labour, material and overhead, if appropriate.

# Newcastle Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
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### 2. New standards and interpretations

#### 2.1 Standards and interpretations issued, but not yet effective

The municipality has not applied the following standards and interpretations, which have been published and are mandatory for the municipality's accounting periods beginning on or after July 1, 2016 or later periods:

Standard/ Interpretation:	Effective date: Years beginning on or after	Expected impact:
• GRAP 18: Segment Reporting	Unknown	
• GRAP 20: Related parties	Unknown	
• GRAP 32: Service Concession Arrangements: Grantor	Unknown	
• GRAP 108: Statutory Receivables	Unknown	
• IGRAP 17: Service Concession Arrangements where a Grantor Controls a Significant Residual Interest in an Asset	Unknown	

### 3. Investment property

	2016			2015		
	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated depreciation and accumulated impairment	Carrying value
Investment property	275,974,000	-	275,974,000	207,527,190	-	207,527,190

#### Reconciliation of investment property - 2016

	Opening balance	Disposals	Fair value adjustments	Total
Investment property	207,527,190	(300,000)	68,746,810	275,974,000

#### Reconciliation of investment property - 2015

	Opening balance	Disposals	Fair value adjustments	Total
Investment property	281,734,000	(2,252,000)	(71,954,810)	207,527,190

#### Details of valuation

The municipality has not pledge investment property as security.

The value of all municipal properties is, totaling R 275,974,000 (2015: R 207,527,190).

Investment property values were adjusted by the fair value adjustment of R 68 746 810 which was recognised in the surplus and deficit for the current year. Municipal properties were valued by a professional appraiser, i.e. Evaluations Property Intelligents.

Amounts recognised in surplus and deficit for the year.

Fair Value Adjustment to investment property	68,746,810	(71,954,810)
Rental revenue from investment property	1,867,018	1,375,868

# Newcastle Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand

### 4. Property, plant and equipment

#### Reconciliation of property, plant and equipment - 2016

	Opening balance	Additions	Disposals	Transfers	Other changes, movements	Depreciation	Total
Land	50,698,299	-	-	3,800,000	(2,946,968)	(3,454,830)	48,096,501
Buildings	227,968,628	-	-	1,428,574	-	(9,534,266)	219,862,936
Infrastructure	6,476,795,016	-	-	37,497,740	(429,849)	(395,472,094)	6,118,390,813
Community	189,020,810	-	-	20,283,051	-	(18,691,357)	190,612,504
Work in progress	800,819,998	285,308,275	-	(63,324,299)	(265,972)	-	1,022,538,002
Finance lease assets	608,168	97,849	-	38,039	-	(622,892)	121,163
Other property, plant and equipment	75,363,343	12,529,243	(618,200)	836,697	-	(16,886,048)	71,225,035
	<b>7,821,274,262</b>	<b>297,935,367</b>	<b>(618,200)</b>	<b>559,802</b>	<b>(3,642,789)</b>	<b>(444,661,487)</b>	<b>7,670,846,954</b>

#### Reconciliation of property, plant and equipment - 2015 restated

	Opening balance	Additions	Disposals	Transfers	Revaluations	Other changes, movements	Depreciation	Total
Land	57,818,892	-	-	-	-	(616,150)	(6,504,442)	50,698,299
Buildings	45,183,743	-	-	-	242,085,295	(57,023,590)	(2,276,819)	227,968,629
Infrastructure	2,956,401,776	909,788	-	131,732,012	5,242,920,920	(1,589,394,385)	(265,775,095)	6,476,795,016
Community	81,937,779	-	-	-	218,119,900	(107,688,485)	(3,348,383)	189,020,811
Work in progress	597,908,609	329,716,497	-	(146,811,818)	-	20,006,710	-	800,819,998
Finance lease assets	769,064	-	-	-	-	-	(160,896)	608,168
Other property, plant and equipment	78,731,881	10,495,133	(252,314)	10,285,044	-	-	(23,896,401)	75,363,343
	<b>3,818,751,744</b>	<b>341,121,418</b>	<b>(252,314)</b>	<b>(4,794,762)</b>	<b>5,703,126,115</b>	<b>(1,734,715,900)</b>	<b>(301,962,036)</b>	<b>7,821,274,264</b>

# Newcastle Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
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### 5. Intangible assets

	2016			2015		
	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value	Cost / Valuation	Accumulated amortisation and accumulated impairment	Carrying value
Computer software	6,579,439	(2,082,396)	4,497,043	2,987,119	(1,174,603)	1,812,516

#### Reconciliation of intangible assets - 2016

	Opening balance	Additions	Amortisation	Total
Computer software	1,812,516	3,592,320	(907,793)	4,497,043

#### Reconciliation of intangible assets - 2015

	Opening balance	Additions	Amortisation	Total
Computer software	1,348,001	889,796	(425,281)	1,812,516

### 6. Heritage assets

	2016			2015		
	Cost / Valuation	Accumulated impairment losses	Carrying value	Cost / Valuation	Accumulated impairment losses	Carrying value
Museums, painting and artifacts	5,970,483	-	5,970,483	2,964,899	-	2,964,899

#### Reconciliation of heritage assets 2016

	Opening balance	Additions	Revaluation increase/(decr ease)	Total
Museums, painting and artifacts	2,964,899	41,600	2,963,984	5,970,483

#### Reconciliation of heritage assets 2015

	Opening balance	Additions	Total
Museums, painting and artifacts	2,904,899	60,000	2,964,899



# Newcastle Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand				2016	2015
<b>7. Investments in associates</b>					
Name of entity	Listed / Unlisted	% holding 2016	% holding 2015	Carrying amount 2016	Carrying amount 2015
Uthukela Water		34.00 %	34.00 %	346,156,138	385,131,584
<b>Movements in carrying value</b>					
Opening balance				385,131,584	131,855,333
Share of surplus/deficit				39,077,446	(43,322,729)
Net impairment /Gain in associates				(78,052,892)	324,530,301
Prior year Adjustment				-	(27,931,321)
				<b>346,156,138</b>	<b>385,131,584</b>
<b>8. Other financial assets</b>					
<b>At amortised cost</b>					
Stand debtors				7,922	9,836
<b>9. Prepayments</b>					
SALGA Membership fee 2015/16				-	4,115,781
Discount earned				-	(205,789)
				<b>-</b>	<b>3,909,992</b>
<b>10. Inventories</b>					
Water stock				267,649	357,450
Consumable stores				13,329,973	10,835,800
				13,597,622	11,193,250
Provision for impairment of inventory				(217,056)	(297,014)
				<b>13,380,566</b>	<b>10,896,236</b>
<b>11. Receivables from exchange transactions</b>					
Deposits				2,312,792	1,798,434
Sundry debtors				(495,334)	469,158
Other receivables				29,615,862	20,775,137
				<b>31,433,320</b>	<b>23,042,729</b>

# Newcastle Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>12. Receivables from non-exchange transactions</b>		
Fines (Gross balance)	36,143,121	32,548,243
Less: Provision for impairment	(25,003,354)	(22,413,314)
	<b>11,139,767</b>	<b>10,134,929</b>
<b>Reconcilliation of Fines</b>		
Opening Balance	32,548,243	27,820,092
Add: Fines recognised	4,979,978	7,037,716
Less: Fines received	(1,385,100)	(2,309,565)
	<b>36,143,121</b>	<b>32,548,243</b>
<b>Reconsilliation for Provision of impairments</b>		
Opening balance	22,413,314	19,239,124
Add: Contribution to provision for impairment	2,590,041	3,174,190
	<b>25,003,355</b>	<b>22,413,314</b>
<b>Fines Revenue recognised in surplus comprises of:</b>		
Traffic Fines	4,979,978	7,037,716
Other Fines	225,669	31,538
	<b>5,205,647</b>	<b>7,069,254</b>
<b>13. VAT receivable</b>		
VAT	9,038,729	27,751,286

# Newcastle Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>14. Consumer debtors</b>		
<b>Gross balances</b>		
Rates	149,418,513	143,977,122
Electricity	117,388,236	66,063,147
Water	223,537,893	284,032,393
Sewerage	155,690,528	179,200,960
Refuse	73,924,235	83,171,522
Other	51,737,593	66,921,566
VAT and sundry services	219,716,753	326,598,205
	<b>991,413,751</b>	<b>1,149,964,915</b>
<b>Less: Allowance for impairment</b>		
Electricity	(5,836,215)	(9,090,334)
Water	(131,863,440)	(145,941,440)
VAT and sundry services	(146,189,535)	(245,926,551)
	<b>(283,889,190)</b>	<b>(400,958,325)</b>
<b>Net balance</b>		
Rates	149,418,513	143,977,122
Electricity	111,552,021	88,020,916
Water	91,674,453	107,042,849
Sewerage	155,690,528	179,200,960
Refuse	73,924,235	83,171,522
Other	51,737,593	66,526,990
VAT and sundry services	73,527,218	81,066,229
	<b>707,524,561</b>	<b>749,006,588</b>
<b>Included in above is receivables from exchange transactions</b>		
Electricity	117,388,236	97,111,250
Water	223,537,893	252,984,290
Sewerage	155,690,528	179,200,960
Refuse	73,924,235	83,171,522
Other	51,737,593	66,526,990
VAT and sundry services	219,716,753	326,992,780
	<b>841,995,238</b>	<b>1,005,987,792</b>
<b>Included in above is receivables from non-exchange transactions (taxes and transfers)</b>		
Rates	149,418,513	143,977,122
<b>Total</b>	<b>991,413,751</b>	<b>1,149,964,914</b>
<b>Rates</b>		
Current (0 -30 days)	31,231,980	20,970,460
31 - 60 days	4,841,698	4,753,199
61 - 90 days	4,615,932	4,443,580
91 - 120 days	4,288,075	4,367,379
121 - 365 days	4,186,559	4,250,644
> 365 days	100,254,271	105,191,863
	<b>149,418,515</b>	<b>143,977,125</b>
<b>Electricity, Water, Sewerage and Refuse</b>		
Current (0 -30 days)	156,676,327	131,947,085
31 - 60 days	14,388,857	14,458,347
61 - 90 days	13,230,783	13,088,129

# Newcastle Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>14. Consumer debtors (continued)</b>		
91 - 120 days	12,250,962	14,097,023
121 - 365 days	12,826,469	14,013,363
> 365 days	361,162,790	424,864,077
	<b>570,536,188</b>	<b>612,468,024</b>
<b>VAT and Sundries</b>		
Current (0 -30 days)	13,827,740	7,957,125
31 - 60 days	2,274,806	2,309,276
61 - 90 days	2,105,335	2,498,978
91 - 120 days	2,148,004	2,199,654
121 - 365 days	1,995,371	2,311,785
> 365 days	197,370,201	309,715,962
	<b>219,721,457</b>	<b>326,992,780</b>
<b>Other</b>		
Current (0 -30 days)	2,155,662	795,496
31 - 60 days	913,157	1,032,861
61 - 90 days	1,047,288	773,287
91 - 120 days	843,951	826,297
121 - 365 days	807,686	973,542
> 365 days	45,969,850	62,125,507
	<b>51,737,594</b>	<b>66,526,990</b>
<b>Summary of debtors by customer classification</b>		
<b>Consumers</b>		
Current (0 -30 days)	139,552,815	100,430,659
31 - 60 days	20,042,758	19,239,321
61 - 90 days	18,908,214	18,598,301
91 - 120 days	17,575,868	19,427,789
121 - 365 days	17,943,298	19,417,951
> 365 days	648,187,431	838,023,866
	862,210,384	1,015,137,887
Less: Allowance for impairment	(268,655,608)	(380,685,910)
	<b>593,554,776</b>	<b>634,451,977</b>
<b>Industrial/ commercial</b>		
Current (0 -30 days)	51,406,697	58,703,321
31 - 60 days	2,103,745	2,913,475
61 - 90 days	1,915,600	-
91 - 120 days	1,816,704	1,787,472
121 - 365 days	1,738,510	1,718,380
> 365 days	46,078,624	50,722,698
	105,059,880	115,845,346
Less: Allowance for impairment	(15,233,582)	(20,272,416)
	<b>89,826,298</b>	<b>95,572,930</b>
<b>National and provincial government</b>		
Current (0 -30 days)	12,932,197	2,536,184
31 - 60 days	272,015	400,888
61 - 90 days	175,524	312,296
91 - 120 days	138,419	275,092
121 - 365 days	134,277	413,002
> 365 days	10,491,056	13,150,844
	<b>24,143,488</b>	<b>17,088,306</b>

# Newcastle Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>14. Consumer debtors (continued)</b>		
<b>Total</b>		
Current (0 -30 days)	203,891,709	161,670,166
31 - 60 days	22,418,517	22,553,684
61 - 90 days	20,999,338	20,803,971
91 - 120 days	19,530,991	21,490,353
121 - 365 days	19,816,085	21,549,333
> 365 days	704,757,111	901,897,408
	<u>991,413,751</u>	<u>1,149,964,915</u>
Less: Allowance for impairment	(283,889,190)	(400,958,325)
	<u><b>707,524,561</b></u>	<u><b>749,006,590</b></u>
<b>Reconciliation of allowance for impairment</b>		
Balance at beginning of the year	400,958,325	(472,690,380)
Contributions to allowance	(103,494,651)	50,390,243
Debt impairment written off against allowance	(13,574,485)	21,341,812
	<u><b>283,889,189</b></u>	<u><b>(400,958,325)</b></u>

# Newcastle Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand

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### 15. Cash and cash equivalents

Cash and cash equivalents consist of:

Cash on hand	698,356	1,558,173
Bank balances	6,539,737	234,443,814
Short-term Investments	37,334,802	104,810,937
	<b>44,572,895</b>	<b>340,812,924</b>

The municipality had the following bank accounts

Account number / description	Bank statement balances			Cash book balances		
	June 30, 2016	June 30, 2015	June 30, 2014	June 30, 2016	June 30, 2015	June 30, 2014
FNB - 53140035974	4,338,099	232,756,333	107,961,682	6,539,737	234,443,814	109,434,277
FNB - 53140063149	2,201,638	1,687,481	1,472,595	-	-	-
<b>Total</b>	<b>6,539,737</b>	<b>234,443,814</b>	<b>109,434,277</b>	<b>6,539,737</b>	<b>234,443,814</b>	<b>109,434,277</b>

### Call Investments

Nedbank - 7648555441/001	-	4,601,402
Nedbank - 7648555441/010	-	245,510
Nedbank - 7648555441/013	-	196,289
Standard Bank - 68450354/001	-	4,313,403
Standard Bank - 68450354/015	843,654	8,928,648
Standard Bank - 68450354/016	26,415,285	22,605,683
Standard Bank - 68450354/008	-	80,915
ABSA - 9123294032	-	167,962
ABSA - 9112678241	-	4,368,802
ABSA - 9288456248	9,367,139	5,004,369
ABSA - 9300506428	623,941	87,261
Glacier/Sanlam - 001246107(Money Market)	84,783	104,810,937
	<b>37,334,802</b>	<b>155,411,181</b>

### Interest Income

Interest on Primary bank account	6,793,902	4,562,073
Interest on investments accounts	5,495,026	11,419,795
	<b>12,288,928</b>	<b>15,981,868</b>

### 16. Housing Development Fund

Housing Development Fund	26,037,234	22,413,837
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### 17. Self insurance reserve

Self-Insurance Reserve	708,555	7,471,767
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# Newcastle Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>18. Finance lease obligation</b>		
<b>Minimum lease payments due</b>		
- within one year	65,694	386,033
- in second to fifth year inclusive	25,920	-
<b>Present value of minimum lease payments</b>	<b>91,614</b>	<b>386,033</b>
<b>Present value of minimum lease payments due</b>		
- within one year	65,694	386,033
- in second to fifth year inclusive	25,920	-
	<b>91,614</b>	<b>386,033</b>
Non-current liabilities	25,920	-
Current liabilities	65,694	386,033
	<b>91,614</b>	<b>386,033</b>

The average lease term is 2 years and the average effective borrowing rate was 26% (2015: 26%).

Interest rates are fixed at the contract date. No arrangements have been entered into for contingent rental.

## 19. Unspent conditional grants and receipts

Unspent conditional grants and receipts comprises of:

### Unspent conditional grants and receipts

Sport and Recreation	-	60,984
Ingogo Fresh Produce	1,102,917	4,000,000
Municipal Water Infrastructure Grant	-	5,678,984
Construct/Upgrade sport recreations	-	636,487
Newcastle library internet project	16,818	5,533
Municipal Systems Improvement Grant	677,387	(1,459)
Grant Skills Development	3,789,614	3,083,324
Cleanest town	823,975	823,975
Environmental Management Framework	502,871	502,871
Neighbourhood Development Partnership	-	15,020,935
Electrification Grant	-	21,817
Expanded Public Works Programme	-	344,030
KwaMathukuza Housing Projects	-	14,065,853
JBC Housing Project	1,954,887	1,954,887
Osizweni Art Centre	36,920	36,920
Viljoen park upgrade	-	2,400,000
Repair construction storm damaged houses	1,218,041	1,218,041
Osizweni library internet project	25,288	46,327
Housing Osizweni Sec E	1,093,885	1,093,885
Newcastle Airport	366,207	1,031,339
Capacity Building housing	12,684,970	9,186,381
Fort Amiel Museum	10,776	435,000
Madadeni/Osizweni upgrading of houses	-	2,080,114
Sus Acc: Fund Drought Relief	-	23,054
Osizweni F phase 1 sewer	-	72,484
WC/WDM	-	21,119
Madadeni Library Internet	23,811	139,505
Corridor Development	135,244	135,244
Carnegie Art Gallery	647,633	373,090
Provincialisation - Libraries	7,297,748	5,118,880
	<b>32,408,992</b>	<b>69,609,604</b>

# Newcastle Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
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### 20. Financial liabilities

#### At amortised cost

DBSA loans	210,421,508	214,399,518
Terms and conditions		
ABSA Bank loans	277,456,144	284,839,959
Terms and conditions		
	<u>487,877,652</u>	<u>499,239,477</u>
	<u>487,877,652</u>	<u>499,239,477</u>

The municipality has 18 loans, 17 from Development Banks of Southern Africa (DBSA) and 1 from ABSA Bank. Each loan has its fixed interest rate, however all loans has different interest rates. Interest rates are between 5% and and 11.85% per anum, payable half yearly.

Long term loans are initially measured at fair value and are subsequently measured at amortised cost, using the effective interest rate method.

#### Non-current liabilities

At amortised cost	<u>458,502,484</u>	<u>471,912,802</u>
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#### Current liabilities

At amortised cost	<u>29,375,168</u>	<u>27,326,675</u>
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# Newcastle Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015				
<b>21. Defined benefits costs</b>						
<b>Reconciliation of defined benefits costs - 2016</b>						
	<b>Opening Balance</b>	<b>Current Costs</b>	<b>Benefits Paid</b>	<b>Actuarial Loss/(Gain)</b>	<b>Interest</b>	<b>Total</b>
Employee benefits	111,904,366	5,682,949	(4,691,613)	3,472,031	9,482,998	125,850,731
<b>Reconciliation of defined benefits costs - 2015</b>						
	<b>Opening Balance</b>	<b>Current Costs</b>	<b>Benefits Paid</b>	<b>Actuarial Loss/(Gain)</b>	<b>Interest</b>	<b>Total</b>
Employee benefits	98,228,265	4,878,084	(4,425,946)	4,700,243	8,523,720	111,904,366
Non-current liabilities					120,075,542	107,212,753
Current liabilities					5,775,189	4,691,613
					<b>125,850,731</b>	<b>111,904,366</b>
<b>Health care benefits</b>						
Balance at the beginning of the year					94,834,643	82,957,600
Current service cost					3,923,511	3,440,426
Contributions paid					(2,981,976)	(2,576,316)
Actuarial Loss					906,108	3,635,686
Interest					8,200,237	7,377,247
					<b>104,882,523</b>	<b>94,834,643</b>
<b>Net expenses recognised in the Statement of Financial Performance</b>						
Current Service Costs					3,923,511	3,440,426
Contribution paid					(2,981,976)	(2,576,316)
Actuarial Loss					906,108	3,635,686
Interest					8,200,237	7,377,247
					<b>10,047,880</b>	<b>11,877,043</b>
<b>Long service bonus awards</b>						
Balance at the beginning of the year					17,069,721	15,270,665
Current service cost					1,759,438	1,437,658
Benefits paid					(1,709,637)	(1,849,630)
Actuarial Loss					2,565,923	1,064,557
Interest					1,282,761	1,146,473
					<b>20,968,206</b>	<b>17,069,723</b>
<b>Net expenses recognised in the Statements of Financial Performance</b>						
Current Services costs					1,759,438	1,437,658
Contribution paid					(1,709,637)	(1,849,630)
Actuarial Loss					2,565,923	1,064,557
Interest					1,282,761	1,146,473
					<b>3,898,485</b>	<b>1,799,058</b>

### Assumptions

#### Health Care Benefits

The municipality provides certain post retirements medical benefits by funding the medical aid contribution of certain retired members of the municipality. According to the rules of the medical aid funds, with which the municipality is associated, a member (who is on the current condition service), on retirement, is entitled to remain a continued member of such a medical aid fund, in which case the municipality is liable for a certain portion of the medical aid membership fee.

# Newcastle Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
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### 21. Defined benefits costs (continued)

The most recent actuarial valuations of the present value of the unfunded defined obligation was carried out as at 30 June 2016 by ARCH Actuarial Consulting, a member of Actuarial Society of South Africa. The present value of the defined obligation, and related current service cost and past service cost were measured using the projected unit credit method. No other post-retirement medical benefits are provided by the municipality.

#### Key financial assumptions used

Discount rate	9.04%
Health care cost inflation rate	8.15%
Net effective discount rate	0.82%

<b>Unfunded Accrued Liability</b>	R104 882 523
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#### Current-service and Interest Costs

Year ended 30 June 2015	R3 923 511
Interest Cost	R8 200 237
Actuarial (Gain)/Loss Recognized in Surplus/Deficit	R906 108

#### Long service Bonus Awards

The long service bonus award is a function of accumulated leave days that is converted into cash in the year the employee attains the service eligible for an award at a rate of 1/250 of annual salary per day.

#### Key financial assumptions used

Discount rate	8.57%
General Salary Inflation	7.23%
Net effective discount rate	1.25%

The salaries used in the valuation include an assumed increase on 1 July 2016 of 6% as per the 2016/17 Newcastle Municipality approved budget. SALGBC has not yet approved the salary increase for 2016/17 financial year.

#### Key Demographic Assumptions used

Average retirement age	63		
Mortality during employment	SA 85-90		
Withdrawal from service (sample annual rates)	Age	Rate - Female	Rate - Male
	20	24%	16%
	30	18%	12%
	40	10%	8%
	50	4%	4%
	55+	2%	2%

#### Unfunded Accrued Liability

Total value of liabilities	R20 968 206
Value of Assets	R0
Unfunded Accrued Liabilities	R20 968 206

#### Current service and Interest Costs

Current Cost	R1 759 438
Interest Cost	R1 282 761

#### Comparative of Vital Statistics

Number of eligible employees	1414
Average annual salary	R176 675
Salary-weighted average age	42.9
Salary-weighted average past service	10.9

# Newcastle Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>22. Provision for rehabilitation costs of landfill site</b>		
<b>The movement in the non-current provision is reconciled as follows:</b>		
Balance at the beginning of the year	27,200,543	25,860,274
Decrease in provision	(2,946,968)	(616,151)
Finance Charges recognised	2,561,178	1,956,420
	<b>26,814,753</b>	<b>27,200,543</b>
<b>23. Payables from exchange transactions</b>		
Trade payables	189,697,556	112,889,763
Retentions	31,747,683	29,789,858
Output VAT on levies	81,626,270	88,864,759
Stale cheques written back	508,058	379,523
Operating lease accrual - straight-lining of operating leases	-	136,100
Leave pay provision	30,672,977	20,854,376
Bonus provision	12,381,915	8,288,426
Other payables	12,736,474	10,221,913
	<b>359,370,933</b>	<b>271,424,718</b>
<b>24. Consumer deposits</b>		
Electricity	12,501,178	10,867,308
Refuse	203,836	132,714
Housing rental	47,592	48,062
	<b>12,752,606</b>	<b>11,048,084</b>
<b>25. Revenue</b>		
Service charges	914,750,787	833,255,041
Rental of facilities and equipment	7,918,136	6,325,224
Miscellaneous other revenue	769,797	7,575,581
Other income	9,862,557	7,007,167
Sundry sales	1,397,723	672,757
Fee income	5,261,709	7,024,930
Interest received	19,447,947	24,314,535
Property rates	224,853,431	209,012,676
Government grants & subsidies	467,501,529	420,438,604
Fines, Penalties and Forfeits	5,205,647	6,229,724
	<b>1,656,969,263</b>	<b>1,521,856,239</b>
<b>The amount included in revenue arising from exchanges of goods or services are as follows:</b>		
Service charges	914,750,787	833,255,041
Rental of facilities and equipment	7,918,136	6,325,224
Miscellaneous other revenue	769,797	7,575,581
Other income	9,862,557	7,007,167
Sundry sales	1,397,723	672,757
Fee income	5,261,709	7,024,930
Interest received - investment	19,447,947	24,314,535
	<b>959,408,656</b>	<b>886,175,235</b>

# Newcastle Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>25. Revenue (continued)</b>		
<b>The amount included in revenue arising from non-exchange transactions is as follows:</b>		
<b>Taxation revenue</b>		
Property rates	224,853,431	209,012,676
<b>Transfer revenue</b>		
Government grants & subsidies	467,501,529	420,438,604
Fines, Penalties and Forfeits	5,205,647	6,229,724
	<b>697,560,607</b>	<b>635,681,004</b>
<b>26. Service charges</b>		
Service connections	5,413,316	5,352,626
Sale of electricity	633,318,173	563,655,703
Sale of water	144,962,478	139,248,180
Sewerage and sanitation charges	76,453,626	72,050,978
Refuse removal	54,603,194	52,947,554
	<b>914,750,787</b>	<b>833,255,041</b>
<b>27. Rental of facilities and equipment</b>		
<b>Premises</b>		
Municipal housing	7,074,517	5,492,465
Venue hire	664,808	651,920
Rental - HDF	178,811	180,839
	<b>7,918,136</b>	<b>6,325,224</b>
<b>28. Other revenue</b>		
Other Income	9,862,557	7,007,167
Sundry Revenue	1,397,723	672,757
Financial instruments - Fee income	5,261,709	7,024,930
	<b>16,521,989</b>	<b>14,704,854</b>
<b>29. Interest received</b>		
<b>Interest revenue</b>		
Bank	12,288,929	16,245,739
Arrear consumer accounts	7,155,898	8,065,421
Other Interest	3,120	3,375
	<b>19,447,947</b>	<b>24,314,535</b>

# Newcastle Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>30. Property rates</b>		
<b>Rates received</b>		
Residential	118,638,059	107,639,150
Commercial	97,506,241	87,608,274
State	2,669,473	2,886,952
Specialised Non-market	2,928,571	2,636,275
Communal land	192,317	186,726
Vacant land	15,351,117	18,868,068
Agriculture	3,075,041	2,612,206
Less: Income forgone	(15,507,387)	(13,424,974)
	<b>224,853,432</b>	<b>209,012,677</b>
<b>Valuations</b>		
Residential	3,057,928,500	3,008,846,000
Commercial	4,064,536,500	3,814,859,000
State	2,114,034,000	2,114,029,000
Vacant	456,064,500	446,894,500
Specialised non-market	1,414,823,900	1,349,800,000
Agriculture	1,359,884,000	1,340,451,000
Communal land	89,180,000	89,290,000
Un-ratable properties	594,917,700	-
	<b>23,151,369,100</b>	<b>22,164,169,500</b>

Valuations on land and buildings are performed every 5 years. The last general valuation came into effect on 1 July 2014. Interim valuations are processed on an annual basis to take into account changes in individual property values due to alterations and subdivisions.

The new general valuation will be implemented on 01 July 2019.

# Newcastle Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>31. Government grants and subsidies</b>		
<b>Operating grants</b>		
Equitable share	298,215,000	284,747,000
Newcastle library internet project	158,715	128,002
Finance management grant	1,600,000	1,600,000
Skills development grant	665,292	8,100
Expanded Public Works programme incentive	3,286,030	2,066,970
Neighbourhood development partnership	10,020,935	4,755,065
Electrification grant	7,999,817	3,978,183
JBC housing project	-	1,045,113
Water services operating & masification subsidies	5,558,816	3,392,557
Municipal infrastructure grant	110,705,000	107,320,000
Municipal systems improvement grant	251,154	1,346,048
Ingogo Fresh Produce	2,897,083	-
Environmental management framework	-	69,439
MIG PMU Allocation	-	252,436
Construct/Upgrade sport/Recreation	636,487	1,407,117
Madadeni library internet project	285,694	130,044
Municipal Water Infrastructure Grant	12,245,167	3,282,292
Osizweni library internet project	191,039	155,105
Provincialisation- All Libraries	3,448,132	2,888,231
Capacity building Housing	1,118,291	1,450,148
Other Government Grants and Subsidies	4,225,565	-
Kwamathukuza Housing project	3,993,312	-
	<b>467,501,529</b>	<b>420,021,850</b>

### Equitable Share

In terms of the Constitution, this grant is used to subsidise the provision of basic services to indigent community members.

Current year receipts	298,215,000	284,747,000
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### Municipal Infrastructure Grant

Current-year receipts	110,705,000	107,320,000
Conditions met - transferred to revenue	(110,705,000)	(107,320,000)
	-	-

Conditions still to be met - remain liabilities (see note 19).

### Municipal Systems Improvement Grant

Balance unspent at beginning of year	(1,460)	410,588
Current-year receipts	930,000	934,000
Conditions met - transferred to revenue	(251,154)	(1,346,048)
	<b>677,386</b>	<b>(1,460)</b>

Conditions still to be met - remain liabilities (see note 19).

### Financial Management Grant

Current-year receipts	1,600,000	1,600,000
Conditions met - transferred to revenue	(1,600,000)	(1,600,000)
	-	-

Conditions still to be met - remain liabilities (see note 19).

# Newcastle Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>31. Government grants and subsidies (continued)</b>		
<b>Skills Development Grant</b>		
Balance unspent at beginning of year	3,083,324	98,991
Current-year receipts	1,371,582	2,992,433
Conditions met - transferred to revenue	(665,292)	(8,100)
	<b>3,789,614</b>	<b>3,083,324</b>
Conditions still to be met - remain liabilities (see note 19).		
<b>Expanded Works Programme Incentive</b>		
Balance unspent at beginning of year	344,030	-
Current-year receipts	3,286,000	2,411,000
Conditions met - transferred to revenue	(3,286,030)	(2,066,970)
Funds withheld by National Treasury	(344,000)	-
	<b>-</b>	<b>344,030</b>
Conditions still to be met - remain liabilities (see note 19).		
<b>Environmental Management Framework</b>		
Balance unspent at beginning of year	502,871	572,310
Conditions met - transferred to revenue	-	(69,439)
	<b>502,871</b>	<b>502,871</b>
Conditions still to be met - remain liabilities (see note 19).		
<b>Neighbourhood Development Partnership</b>		
Balance unspent at beginning of year	15,020,935	-
Current-year receipts	10,000,000	19,776,000
Conditions met - transferred to revenue	(10,020,935)	(4,755,065)
Funds withheld by National Treasury	(15,000,000)	-
	<b>-</b>	<b>15,020,935</b>
Conditions still to be met - remain liabilities (see note 19).		
<b>Electrification Grant</b>		
Balance unspent at beginning of year	21,817	-
Current-year receipts	8,000,000	4,000,000
Conditions met - transferred to revenue	(7,999,817)	(3,978,183)
Funds withheld by National Treasury	(22,000)	-
	<b>-</b>	<b>21,817</b>
Conditions still to be met - remain liabilities (see note 19).		
<b>Water Services Operating &amp; Masification Subsidies</b>		
Balance unspent at beginning of year	-	3,392,557
Current-year receipts	3,000,000	-
Conditions met - transferred to revenue	(5,558,816)	(3,392,557)
Other	2,558,816	-
	<b>-</b>	<b>-</b>

# Newcastle Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>31. Government grants and subsidies (continued)</b>		
Conditions still to be met - remain liabilities (see note 19).		
<b>KwaMatukuza Housing Project</b>		
Balance unspent at beginning of year	14,065,853	14,065,853
Conditions met - transferred to revenue	(3,993,312)	-
Transfer to HDF	(10,072,541)	-
	<u>-</u>	<u>14,065,853</u>
Conditions still to be met - remain liabilities (see note 19).		
<b>JBC Housing Project</b>		
Balance unspent at beginning of year	1,954,887	3,000,000
Conditions met - transferred to revenue	-	(1,045,113)
	<u>1,954,887</u>	<u>1,954,887</u>
Conditions still to be met - remain liabilities (see note 19).		
<b>Repair Construction Storm damage HS</b>		
Balance unspent at beginning of year	1,218,040	1,218,040
Conditions still to be met - remain liabilities (see note 19).		
<b>MIG PMU Allocation</b>		
Balance unspent at beginning of year	-	252,436
Conditions met - transferred to revenue	-	(252,436)
	<u>-</u>	<u>-</u>
Conditions still to be met - remain liabilities (see note 19).		
<b>Construct/Upgrade sport/Recreation</b>		
Balance unspent at beginning of year	636,486	993,603
Current-year receipts	-	1,050,000
Conditions met - transferred to revenue	(636,486)	(1,407,117)
	<u>-</u>	<u>636,486</u>
Conditions still to be met - remain liabilities (see note 19).		
<b>Madadeni library internet project</b>		
Balance unspent at beginning of year	139,505	143,549
Current-year receipts	170,000	126,000
Conditions met - transferred to revenue	(285,694)	(130,044)
	<u>23,811</u>	<u>139,505</u>
Conditions still to be met - remain liabilities (see note 19).		
<b>Municipal Water Infrastructure Grant</b>		
Balance unspent at beginning of year	5,678,985	1,921,277
Current-year receipts	14,825,000	7,040,000



# Newcastle Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>31. Government grants and subsidies (continued)</b>		
Conditions met - transferred to revenue	(12,245,167)	(3,282,292)
Transfers from other Water grants	(8,258,818)	-
	<u>-</u>	<u>5,678,985</u>
Conditions still to be met - remain liabilities (see note 19).		
<b>Osizweni Library internet project</b>		
Balance unspent at beginning of year	46,327	75,432
Current-year receipts	170,000	126,000
Conditions met - transferred to revenue	(191,039)	(155,105)
	<u>25,288</u>	<u>46,327</u>
Conditions still to be met - remain liabilities (see note 19).		
<b>Provincialisation- All Libraries</b>		
Balance unspent at beginning of year	5,118,881	3,107,112
Current-year receipts	5,627,000	4,900,000
Conditions met - transferred to revenue	(3,448,132)	(2,888,231)
	<u>7,297,749</u>	<u>5,118,881</u>
Conditions still to be met - remain liabilities (see note 19).		
<b>Capacity Building housing</b>		
Balance unspent at beginning of year	9,186,381	6,454,849
Current-year receipts	5,690,560	4,181,680
Conditions met - transferred to revenue	(1,118,291)	(1,450,148)
Adjustment	(1,073,680)	-
	<u>12,684,970</u>	<u>9,186,381</u>
Conditions still to be met - remain liabilities (see note 19).		
<b>Osizweni arts centre</b>		
Balance unspent at beginning of year	<u>36,920</u>	<u>36,920</u>
Conditions still to be met - remain liabilities (see note 19).		

# Newcastle Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>31. Government grants and subsidies (continued)</b>		
<b>Corridor development</b>		
Balance unspent at beginning of year	135,244	135,244
Conditions still to be met - remain liabilities (see note 19).		
<b>Cleanest town</b>		
Balance unspent at beginning of year	823,975	823,975
Conditions still to be met - remain liabilities (see note 19).		
<b>Newcastle Library Internet Project</b>		
Balance unspent at beginning of year	5,533	7,535
Current-year receipts	170,000	126,000
Conditions met - transferred to revenue	(158,715)	(128,002)
	<b>16,818</b>	<b>5,533</b>
Conditions still to be met - remain liabilities (see note 19).		
<b>Ingogo Fresh Produce</b>		
Balance unspent at beginning of year	4,000,000	-
Current-year receipts	-	4,000,000
Conditions met - transferred to revenue	(2,897,083)	-
	<b>1,102,917</b>	<b>4,000,000</b>
Conditions still to be met - remain liabilities (see note 19).		
<b>Madadeni/Osizweni upgrading of houses</b>		
Balance unspent at beginning of year	2,080,114	2,080,114
Conditions met - transferred to revenue	(411,112)	-
Transfer to HDF	(1,669,002)	-
	<b>-</b>	<b>2,080,114</b>
Conditions still to be met - remain liabilities (see note 19).		
<b>Carnegie Art Gallery</b>		
Balance unspent at beginning of year	373,090	284,000
Current-year receipts	158,500	151,000
Conditions met - transferred to revenue	(60,456)	(61,910)
Transfer from Museum grant	176,500	-
	<b>647,634</b>	<b>373,090</b>
Conditions still to be met - remain liabilities (see note 19).		
<b>Fort Amiel Museum</b>		
Balance unspent at beginning of year	435,000	284,000
Current-year receipts	158,500	151,000
Conditions met - transferred to revenue	(406,224)	-
Transfer to Carnegie Art Gallery	(176,500)	-

# Newcastle Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>31. Government grants and subsidies (continued)</b>		
	<b>10,776</b>	<b>435,000</b>
Conditions still to be met - remain liabilities (see note 19).		
<b>Other grants</b>		
Balance unspent at beginning of year	3,671,526	4,444,432
Current-year receipts	-	2,548,278
Conditions met - transferred to revenue	(2,577,641)	(1,916,755)
Other	-	-
	<b>1,093,885</b>	<b>5,075,955</b>
Conditions still to be met - remain liabilities (see note 19).		
<b>Newcastle Airport</b>		
Balance unspent at beginning of year	1,031,339	143,775
Current-year receipts	105,000	1,003,393
Conditions met - transferred to revenue	(770,132)	(115,829)
	<b>366,207</b>	<b>1,031,339</b>
Conditions still to be met - remain liabilities (see note 19).		

# Newcastle Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>32. Employee related costs</b>		
Basic	280,934,112	222,576,210
Medical aid - company contributions	16,826,829	13,792,052
UIF	2,478,072	2,092,231
WCA	378,496	2,674,169
SDL	3,660,181	-
Leave bonus paid	26,355,254	15,527,306
Defined contribution plans	50,453,362	38,105,312
Travel, motor car, accommodation, subsistence and other allowances	3,698,477	2,930,996
Overtime payments	46,774,344	34,637,311
Long-service awards	1,942,439	243,531
Transport allowance	20,952,676	19,038,559
Housing benefits and allowances	8,830,944	7,897,285
Group insurance	4,601,330	4,239,932
Bargaining council	115,460	-
Night work allowance	1,680,529	959,980
Leave pay provision	14,692,586	(5,452,262)
	<b>484,375,091</b>	<b>359,262,612</b>
<b>Remuneration of the Municipal Manager</b>		
Annual Remuneration	230,805	800,440
Car Allowance	22,047	177,354
Contributions to UIF, Medical and Pension Funds	41,867	21,268
Performance Bonuses and other bonuses	-	249,839
Subsistence and Travelling	-	15,399
Leave paid	-	74,617
	<b>294,719</b>	<b>1,338,917</b>

Mr Mswane, the Chief of Operations, has been acting on this position since last year, and in May 2016 he was appointed as Municipal Manager.

### Remuneration of the Chief Finance Officer

The Chief Financial Office has not been appointed. Mr SM Nkosi was appointed as an Acting Chief Financial Officer, an acting allowance has been paid.

# Newcastle Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>32. Employee related costs (continued)</b>		
<b>Remuneration of Executive Directors</b>		
Annual Remuneration	5,704,916	6,598,877
Travel, Car, Accommodation, Subsistence and other allowances	1,023,126	1,362,145
Performance Bonuses and other bonuses	256,530	588,933
Contributions to UIF, Medical and Pension Funds	192,893	306,901
Leave paid	-	624,762
	<b>7,177,465</b>	<b>9,481,618</b>
<b>Chief of Operations</b>		
Annual Remuneration	1,290,127	1,110,754
Travel, Car, Accommodation, Subsistence and other allowances	263,320	275,724
Performance bonuses and other bonuses	-	65,344
Contributions to UIF, Medical, and Pension Fund	26,312	34,346
	<b>1,579,759</b>	<b>1,486,168</b>
<b>Community Services</b>		
Annual Remuneration	918,439	868,960
Travel, Car, Accommodation, Subsistence and other allowances	255,022	240,396
Performance bonuses and other bonuses	146,626	-
Contributions to UIF, Medical, and Pension Fund	23,386	25,446
	<b>1,343,473</b>	<b>1,134,802</b>
<b>Development and Planning Services</b>		
Annual Remuneration	1,042,753	989,857
Travel, Car, Accommodation, Subsistence and other allowances	158,685	125,519
Contributions to UIF, Medical and Pension Fund	40,356	42,394
	<b>1,241,794</b>	<b>1,157,770</b>
<b>Electricity Services</b>		
Annual Remuneration	1,432,790	1,024,133
Travel, Car, Accommodation, Subsistence and other Allowances	301,859	245,230
Performance bonuses and other bonuses	65,409	65,409
Contribution to UIF, Medical and Pension Fund	-	1,785
	<b>1,800,058</b>	<b>1,336,557</b>
<b>Internal Audit</b>		
Annual Remuneration	1,020,806	992,365
Travel, Car, Accommodation, Subsistence and other allowances	44,240	29,519
Performance bonus and other bonuses	44,496	44,496
Contribution to UIF, Medical and Pension Fund	102,839	97,896
	<b>1,212,381</b>	<b>1,164,276</b>

# Newcastle Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>33. Remuneration of councillors</b>		
Mayor	508,069	516,122
Deputy Mayor	352,937	358,269
Mayoral Committee Members	2,554,347	4,064,083
Speaker	379,066	385,585
Councillors	14,658,689	14,799,889
	<b>18,453,108</b>	<b>20,123,948</b>
<b>Mayor</b>		
Annual Remuneration	508,069	516,122
Car Allowance	196,765	186,507
Cellphone Allowance.	42,840	20,868
Contribution to UIF, Medical aid and Pension fund	75,806	42,840
Housing Allowances	24,000	24,000
Reimbursements	-	53,604
	<b>847,480</b>	<b>843,941</b>
<b>Deputy Mayor</b>		
Annual Remuneration	352,937	385,858
Car Allowance	157,412	149,205
Cellphone Allowances	30,048	20,868
Contribution to UIF, Medical aid and Pension fund	54,546	81,383
Housing Allowance	24,000	24,000
Reimbursements	94,304	55,971
	<b>713,247</b>	<b>717,285</b>
<b>Speaker</b>		
Annual Remuneration	379,066	385,585
Car Allowance	157,412	149,205
Cellphone Allowance	-	20,868
Contribution to UIF, Medical aid and Pension fund	58,465	55,254
Housing Allowance	24,000	24,000
Reimbursement	73,650	73,587
	<b>692,593</b>	<b>708,499</b>
<b>In-kind benefits</b>		
The Mayor, Deputy Mayor, Speaker and Executive Committee Members are full-time. Each is provided with an office and secretarial support at the cost of the Council.		
The Mayor, the Deputy Mayor and the Speaker each have the use of separate Council owned vehicles for official duties.		
The Mayor has two full-time bodyguards . The Deputy Mayor and speaker have each full-time driver.		
<b>34. Depreciation and amortisation</b>		
Property, plant and equipment	445,536,951	302,387,317
<b>35. Impairment of assets</b>		
<b>Impairments</b>		
Fines	2,590,041	3,471,820

# Newcastle Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>36. Finance costs</b>		
Non-current borrowings	53,598,282	22,902,389
Provisions and current borrowings	12,124,257	10,634,320
Other interest paid	418,515	4,887
	<b>66,141,054</b>	<b>33,541,596</b>
<b>37. Debt impairment</b>		
Debt impairment	(117,069,135)	(50,390,243)
Bad debts written off	347,423,995	-
	<b>230,354,860</b>	<b>(50,390,243)</b>
<b>38. Bulk purchases</b>		
Electricity	449,612,117	417,368,250
Water	63,918,344	62,122,666
	<b>513,530,461</b>	<b>479,490,916</b>
<b>39. Contracted services</b>		
Security services	20,580,869	17,168,341
Consultants fees	58,137,569	35,283,425
	<b>78,718,438</b>	<b>52,451,766</b>

# Newcastle Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>40. General expenses</b>		
Advertising	1,730,684	2,236,174
Assessment rates & municipal charges	10,167,306	8,985,808
Auditors remuneration	3,522,428	3,585,070
Bank charges	3,118,048	3,021,218
Commission paid	-	2,067
Consulting and professional fees	4,052,932	1,718,923
Entertainment	512,952	555,839
Hire	91,432	-
Insurance	3,971,282	3,130,096
Community development and training	5,833,005	5,034,592
IT expenses	2,290,549	2,020,004
Magazines, books and periodicals	404,561	446,619
Medical expenses	20,263	-
Motor vehicle expenses	11,054,781	10,642,884
Expenditure on Grants	11,823,312	15,602,486
Subsistence and Travelling	4,639,073	5,637,097
Petrol, Oil and Grease	1,032,788	1,260,086
Postage and courier	2,660,897	2,535,830
Printing and stationery	2,990,141	3,456,103
Promotions	1,931,599	2,014,293
Protective clothing	4,011,723	4,099,621
Royalties and license fees	4,524	13,942
Membership fees	5,514,398	6,281,038
Telephone and fax	7,990,514	7,861,446
Training	3,628,617	2,139,705
Tools	151,458	165,904
Lease Rentals on Operating lease	44,487,123	28,517,406
Other expenses	77,844,514	66,909,723
Administration expenses	33,313,741	32,679,007
Contribution to post retirement benefits	5,682,949	4,878,084
Material	1,806,198	2,191,101
Signage	491,667	578,258
Special programmes	4,177,958	3,932,599
Chemicals	467,365	395,329
Provision for unrecoverable Input VAT	2,272,467	-
Provision for inventory impairment	-	152,714
Loss due theft	4,867	-
	<b>263,698,116</b>	<b>232,681,066</b>
<b>41. Auditors' remuneration</b>		
Fees	3,522,428	3,585,070
<b>42. Operating lease</b>		
<b>Operating lease - Lease expense (Lessee)</b>		
Due within a year	975,841	3,036,649
Due in second to fifth year	686,811	931,691
	<b>1,662,652</b>	<b>3,968,340</b>

Operating lease payments comprise lease rentals payable by the municipality for the office property and equipment. Leases are negotiated for 3 years for the rental of office equipment and photocopiers with contingent rentals payable. Lease rentals for office property escalates at average 8.5% whilst rentals on office equipment does not escalate on an annual basis. Lease rentals for office property have been straight-lined.



# Newcastle Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>43. Cash generated from operations</b>		
(Deficit) surplus	(526,996,745)	206,157,944
<b>Adjustments for:</b>		
Depreciation and amortisation	445,536,951	302,387,317
(Loss) gain on sale of assets and liabilities	(107,824,256)	115,277,539
Impairment/Gain of investment	78,052,893	(324,530,301)
Impairment of assets	2,590,041	3,471,820
Debt impairment	230,354,860	(50,390,243)
Movements in provisions	13,946,365	13,676,101
<b>Changes in working capital:</b>		
Inventories	(2,484,330)	1,542,905
Receivables from exchange transactions	(8,390,591)	970,217
Consumer debtors	(182,785,823)	(176,492,039)
Other receivables from non-exchange transactions	(1,004,737)	(1,553,961)
Prepayments	3,909,992	(3,909,992)
Other financial assets	-	10,036,578
Payables from exchange transactions	87,946,215	(33,039,325)
VAT	18,712,557	7,049,998
Unspent conditional grants and receipts	(37,200,612)	26,090,788
Consumer deposits	1,704,522	1,078,079
	<b>16,067,302</b>	<b>97,823,425</b>
<b>44. Commitments</b>		
<b>Authorised capital expenditure</b>		
<b>Already contracted for but not provided for</b>		
• Infrastructure assets	132,190,954	80,363,088
• Community assets	16,642,565	181,151,133
• Land and buildings	1,419,699	17,162,550
• Other assets	7,863,957	11,800,078
	<b>158,117,175</b>	<b>290,476,849</b>
<b>Not yet contracted for and authorised by accounting officer</b>		
• Infrastructure assets	10,241,601	7,789,693
• Community assets	1,200,000	4,900,100
• Land and building	1,000,000	-
• Other assets	5,666,679	750,000
	<b>18,108,280</b>	<b>13,439,793</b>
<b>Total capital commitments</b>		
Already contracted for but not provided for	158,117,175	290,476,849
Not yet contracted for and authorised by accounting officer	18,108,280	13,439,793
	<b>176,225,455</b>	<b>303,916,642</b>

# Newcastle Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand	2016	2015
<b>45. Contingencies</b>		
Plaintiff: Evnic Data CC There is litigation process against the municipality relating to the dispute with Evnic Data CC, who is seeking damages of R23 million for the loss of profit. The allegations are that there was an irregular awarding of tender to another bidder due to unfair evaluation and awarding. Parties to convene pretrial.		
Plaintiff: Singatha Africa Joint Venture Singatha Africa Joint Venture is seeking damages of R2 333 755 for loss of profit relating to a dispute of breach of contract. It alleges that it was engaged as a Project Manager for housing project but the contract was cancelled. Awaiting trial date.		
Plaintiff: ADZ Construction CC There is a litigation process against the municipality relating to a dispute with ADZ Construction CC, who is seeking damages of R 1 245 491 for breach of contract It alleges that the contract was unlawfully terminated. Litigation to proceed.		
Plaintiff: Clover SA (Proprietary) Limited Clover SA (Propriety) Limited is suing the municipality for damages of R39 100 to its vehicle caused by the underground water leaks on the road surface. The matter is still under investigations.		
Plaintiff: Pragashini Dhewlall There is a litigation process against the municipality relating to the dispute with Pragashini Dhewlall, who is claiming damages for medical expenses of R400 000. He sustained injury after tripping on a metal pipes placed by municipal employees.		
Plaintiff: Telkom SA SOC LTD There is a litigation process against the municipality relating to a dispute with Telkom SA, who has sent a letter of demand for the damage to telecommunication infrastructure of Telkom at vicinity of Ayliff Street between Patterson and York Street. Should the Telkom be successful the municipality will be liable to pay damages of R165 423.88 and legal fees.		
Plaintiff: Bigen Services Africa (Pty) LTD Bigen Services Africa (Pty) LTD is the former service provider in the Municipality. Bigen Services Africa (Pty) LTD had objected to the Municipality, this matter follows an unsuccessful bid application for debt management. Estimated legal cost are R1 500 000		
<b>Labour reviews and Bargaining Council</b> Miss Nxumalo has sued the municipality for R89 625 and R150 000 legal cost. She alleged that she was unfairly dismissed. Labour court is reviewing the application.		
Mr. Ngwenya is suing the municipality for an unfair labour practice. Labour court review is pending. Estimated legal costs are R150 000		
Mr. Mofokeng has sued the municipality R110 000 for an unfair dismissal. Awaiting ruling on leave to appeal. Estimated legal costs are R50 000		
<b>46. Related parties</b>		
<b>Relationships</b>		
Investment in Associates	Refer to note 7	
<b>Related party balances</b>		
<b>Investment in Associates - Share of losses and surpluses</b>		
Uthukela water	39,077,446	(43,322,749)
<b>Bulk Water Purchases</b>		
Uthukela Water	62,163,958	59,636,402
<b>Related party transactions</b>		

# Newcastle Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand

### 47. Change in estimate

#### Provision of Landfill site

The Provision for rehabilitation costs is raised for the rehabilitation of the refuse disposal site to its original state once the landfill has reach the end of it's useful life. The provision for rehabilitation costs is calculated as the present value of the future value of the future obligation, discounted at 10.56%, over a period of 2 years. The discounting rate used to discount the future value of the provision is the rate of long-term loan estimate from ABSA .

During the current year, the provision for landfil site rehabilitation costs was restimated at R29 646 390.34 (2014: R31 580 000) with the remaining life of 2 years.This valuation was done by One Pangua.

The effect of discounting of the future value of the provision for rehabilitation of the landfill over the remaining useful life is estimated at R2 946 968

#### The movement in the non-current provision is reconciled as follows:

Balance at the beginning of the year	27,200,543	25,860,274
Decrease in provision	(2,946,968)	(616,151)
Finance charges recognised	2,561,178	1,956,420
	<u>26,814,753</u>	<u>27,200,543</u>

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### 48. Prior period errors

#### i) Property, Plant and Equipment

There was an error when capitalising the Ncandu Bridge project, over capitalisation.

The effect of the correction will be as follows:

Work in progress	(DR) R 20 006 710
Infrastructure Assets	(CR) R 20 006 710

#### ii) Investment in Associates

Uthukela water restated their Annual Financial Statement for 201415 financial year as a result their net assets changed, investment in Uthukela Water thus has to change as follows:

Accumulated Surplus	(DR) R 27 931 320.69
Investment in Associates	(CR) R 27 931 320.69

# Newcastle Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand

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### 48. Prior period errors (continued)

#### iii) Infrastructure Assets

In the 2014/15 financial year the municipality undertook an exercise of valuing their infrastructure assets. GRAP 17 allowed the municipality to recognise their assets at their fair value on the initial of the standard. The municipality had not performed this task before and only undertook to value the assets during the 2015/16 financial year. The impact of the revaluation is as follows:

Infrastructure Assets	(DR) R 5 702 864 650.75
Accumulated Surplus	(CR) R 3 968 485 209.09
Accumulated Depreciation	(CR) R 1 734 379 441.66

#### iv) Other Adjustments

(a) Traffic Fines Payable - The municipality is reversing the payables for the fines received from RTI which were recognised in 2014/15 financial year;

Traffic Fines Payables	(DR) R 839 530
Accumulated Surplus	(CR) R 839 530

(b) Old Mutual Deposit - Clearing deposits from Old Mutual, as it was received in 2014/15 financial year but was receipted incorrectly under rentals.

Accumulated Surplus	(DR) R 55 028
Deposit: Rental Old Mutual	(CR) R 55 028

### 49. Comparative figures

No changes were done in the comparative figures except for the prior year adjustments.

# Newcastle Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand

### 50. Financial Instruments Disclosure

#### 2016

<b>Financial Assets</b>	At amortised cost	At fair value	Total
Cash and cash equivalent	-	44,572,895	44,572,895
Receivables from exchange transactions	-	31,484,163	31,484,163
Receivables from non-exchange transactions	-	11,139,767	11,139,767
Other assets	-	7,922	7,922
	-	<b>87,204,747</b>	<b>87,204,747</b>
<b>Financial Liabilities</b>	At amortised cost	At fair value	Total
Payables from exchange transactions	-	359,375,753	359,375,753
Financial liabilities	487,877,652	-	487,877,652
Consumer deposits	-	12,752,606	12,752,606
	<b>487,877,652</b>	<b>372,128,359</b>	<b>860,006,011</b>

#### 2015

<b>Financial Assets</b>	At amortised cost	At fair value	Total
Cash and cash equivalent	-	340,812,924	340,812,924
Prepayment	-	3,909,992	3,909,992
Receivable from exchange transactions	-	21,827,632	21,827,632
Receivable from non-exchange transactions	-	10,134,929	10,134,929
Other Financial assets	-	9,836	9,836
	-	<b>376,695,313</b>	<b>376,695,313</b>
<b>Financial Liabilities</b>	At amortised cost	At fair value	Total
Financial liabilities	499,239,477	-	499,239,477
Payables from exchange transactions	-	271,635,848	271,635,848
Consumer deposits	-	11,048,084	11,048,084
	<b>499,239,477</b>	<b>282,683,932</b>	<b>781,923,409</b>

### 51. Risk management

#### Liquidity risk

The municipality's risk to liquidity is a result of the funds available to cover future commitments. The municipality manages liquidity risk through an ongoing review of future commitments and credit facilities. The available cash balance and the municipal commitments as at 30 June 2016 were as follows:

#### Credit risk

Credit risk consists mainly of cash deposits, cash equivalents, derivative financial instruments and trade debtors. The municipality only deposits cash with major banks with high quality credit standing and limits exposure to any one counter-party.

Trade receivables comprise a widespread customer base. Management evaluated credit risk relating to customers on an ongoing basis. If customers are independently rated, these ratings are used. Otherwise, if there is no independent rating, risk control assesses the credit quality of the customer, taking into account its financial position, past experience and other factors. Individual risk limits are set based on internal or external ratings in accordance with limits set by the board.

# Newcastle Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand

### 52. Going concern

The annual financial statements have been prepared on the basis of accounting policies applicable to a going concern. This basis presumes that funds will be available to finance future operations and that the realisation of assets and settlement of liabilities, contingent obligations and commitments will occur in the ordinary course of business. While the liquidity risk has increased as stated in Note 51, the municipality is still considered to be a going concern in the 2017 financial year due to planned generation of revenue and collection of net outstanding debtors. It is considered these will be adequate to settle any current and future commitments and to keep the municipality as a going concern. These draft annual financial statements have been prepared based on the expectation that the municipality will continue to operate as a going concern for at least the next 12 months.

### 53. Events after the reporting date

On 8 August 2016 the municipality received summons in connection with claim of CD Dladla for Alleged claim of general damages, loss of income (past & future) and medical & hospital cost, amounting to R6 000 000. The matter is currently under investigation.

There were no other items to be disclosed for 2015/16 financial year.

### 54. Unauthorised expenditure

The municipality incurred unauthorised expenditure mainly as a result of bad debts written off and the revaluation of asset. The impact of these could not be accurately estimated during the preparation of the adjustment budget. The municipality further incurred unauthorised expenditure on other cash items. Details of unauthorised expenditure are as follows:

Total budgeted expenditure	1,894,525,324	-
Actual expenditure	(2,213,737,371)	-
	<u>(319,212,047)</u>	<u>-</u>

### 55. Fruitless and wasteful expenditure

Fruitless and wasteful expenditure	<u>418,515</u>	<u>4,236</u>
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The fruitless and wasteful expenditure for 2015/16 is as the results of interest charged on late payments for Eskom and Auditor General, invoices.

### 56. Irregular expenditure

Opening balance	101,718,781	68,404,550
Add: Irregular Expenditure - current year	-	33,314,231
	<u>101,718,781</u>	<u>101,718,781</u>

### Analysis of expenditure awaiting write-off per age classification

Current year	-	33,314,231
Prior years	101,718,781	68,404,550
	<u>101,718,781</u>	<u>101,718,781</u>

There were no Irregular expenditure reported in 2015/16 financial year.

# Newcastle Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand

### 57. Additional disclosure in terms of Municipal Finance Management Act

#### Contributions to organised local government

Opening balance	(3,909,992)	-
Current year subscription / fee	4,965,688	2,607,292
Amount paid - current year	(1,055,696)	(6,517,284)
	<u>-</u>	<u>(3,909,992)</u>

#### Material losses

Amount paid - current year	<u>4,867</u>	<u>-</u>
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This material loss was after the investigations and measures made to recover this money as was disclosed last financial year as Fruitless and Wasteful expenditure. This was an erroneous transfer of funds to a wrong account in the last financial year.

#### Audit fees

Opening balance	-	96,901
Current year subscription / fee	3,522,428	3,488,169
Amount paid - current year	(3,352,264)	(3,585,070)
	<u>170,164</u>	<u>-</u>

#### PAYE and UIF

Current year subscription / fee	68,301,283	50,512,967
Amount paid - current year	(68,301,283)	(50,512,967)
	<u>-</u>	<u>-</u>

#### Pension and Medical Aid Deductions

Current year subscription / fee	101,356,904	79,799,830
Amount paid - current year	(101,356,904)	(79,799,830)
	<u>-</u>	<u>-</u>

#### VAT

VAT receivable	<u>9,038,729</u>	<u>27,751,286</u>
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All VAT returns have been submitted by the due date throughout the year.

# Newcastle Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand

### 57. Additional disclosure in terms of Municipal Finance Management Act (continued)

#### Councillors' arrear consumer accounts

The following Councillors had arrear accounts outstanding for more than 90 days at June 30, 2016:

June 30, 2016	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr MP & NJ Ngobese	1,657	50,556	52,213
Cllr MV Buhali	300	22,731	23,031
Cllr MS & MG Mlangeni	713	7,057	7,770
Cllr Y Meiring	2,763	4,368	7,131
Cllr EM & PM zungu	7,012	-	7,012
Cllr ME Zwane	3,009	3,918	6,927
Cllr MM Bhekiswayo	2,420	1,394	3,814
Cllr NT Ntshangase	2,583	-	2,583
Cllr DO Shabalala	2,449	-	2,449
Cllr TM & NM Zulu	1,978	-	1,978
Cllr SB & LB Lukhele	1,849	-	1,849
Cllr CN & LA Mkhize	1,141	-	1,141
Cllr ME Zwane	1,016	-	1,016
Cllr SSE Buthelezi	929	-	929
Cllr MP Sibilwane	921	-	921
Cllr NP Kunene	725	-	725
Cllr ZJ Mbatha	691	-	691
Cllr RN Mdluli	436	-	436
	<b>32,592</b>	<b>90,024</b>	<b>122,616</b>

June 30, 2015	Outstanding less than 90 days	Outstanding more than 90 days	Total
Cllr VV Bam	934	34	968
Cllr MM Bhekiswayo	1,393	1,645	3,038
Cllr MV Buhali	182	27,858	28,040
Cllr SSE Buthelezi	1,254	760	2,014
Cllr JK Gabuza	951	3,822	4,773
Cllr NP Kunene	1,337	3,210	4,547
Cllr SB Lukhele	1,705	-	1,705
Cllr ZJ Mbatha	706	3,086	3,792
Cllr SS Mbokazi	2,077	106,204	108,281
Cllr MO Mdlalose	536	665	1,201
Cllr RN Mdluli	2,372	-	2,372
Cllr CN Mkhize	2,636	31,788	34,424
Cllr CN Mkhize	5,822	30,140	35,962
Cllr MS Mlangeni	443	5,355	5,798
Cllr MS Mlangeni	514	7,355	7,869
Cllr MS Mlangeni	1,161	4,998	6,159
Cllr MP Ngobese	1,167	47,287	48,454
Cllr DJZ Nkosi	1,094	2,740	3,834
Cllr Nt Ntshangase	354	-	354
Cllr DO Shabalala	1,617	3,820	5,437
Cllr MP Sibilwane	1,270	33,816	35,086
Cllr SJ Zulu	-	114	114
Cllr MS Mlangeni	1,721	12,381	14,102
Cllr MS Mlangeni	3,026	26,253	29,279
Cllr SJ Zulu	-	193	193
Cllr MM Zwane	1,111	32,797	33,908



# Newcastle Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

Figures in Rand

### 57. Additional disclosure in terms of Municipal Finance Management Act (continued)

Cllr ME Zwane	1,834	4,141	5,975
Cllr ME Zwane	963	4,699	5,662
	<u>38,180</u>	<u>395,161</u>	<u>433,341</u>

During the year the following Councillors' had arrear accounts outstanding for more than 90 days.

### 58. Deviation from supply chain management regulations

Paragraph 12(1)(d)(i) of Government gazette No. 27636 issued on 30 May 2005 states that a supply chain management policy must provide for the procurement of goods and services by way of a competitive bidding process.

Paragraph 36 of the same gazette states that the accounting officer may dispense with the official procurement process in certain circumstances, provided that he records the reasons for any deviations and reports them to the next meeting of the council and includes a note to the annual financial statements.

Various items were procured during the financial year under review and the process followed in procuring those goods deviated from the provisions of paragraph 12(1)(d)(i) as stated above. The reasons for these deviations were documented and reported to the Accounting Officer who considered them and subsequently approved the deviation from the normal supply chain management regulations.

Deviations from Municipal Supply Chain Management Regulations amounted to R9 965 880 (2015: R18 059 420) which are made up as follows:

#### Deviations

Section 16	63,773	183,184
Section 17	220,280	219,508
Section 36	9,681,827	17,656,728
	<u>9,965,880</u>	<u>18,059,420</u>

### 59. Water distribution losses

Input Volume (KI)	32 433 476	32 433 476
Water losses (KI)	13 104 922	14 147 834
Water losses (%)	40.6%	43.6%
Bulk Tariff (R/KL)	2.46	2.49
Water Losses (R)	32 238 108	35 228 106

### 60. Electricity distribution losses

Purchases (KWH)	686 078 122	716 886 587
Less: Sales	(632 602 412)	(672 513 725)
Loss of units	53 475 709	44 372 862
Loss of units (%)	7.79%	6.19%
Estimated cost per unit - Cents	54cents	48cents
Estimated cost of loss (R)	29 240 006	21 466 457

# Newcastle Municipality

Annual Financial Statements for the year ended June 30, 2016

## Notes to the Annual Financial Statements

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Figures in Rand

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### 60. Electricity distribution losses (continued)

Electricity distribution losses comprised of the following:

#### **Administrative losses**

Administrative losses refers to the difference between the income generated from electricity delivered to consumers and the actual amount of revenue that is recovered. Administrative losses are minimal as the municipality ensures that the cut-offs are effected on all unpaid accounts.

#### **Technical Losses**

Technical losses within the municipality are made up of standard line losses, unmetered own consumption, free basic electricity, street lightning and traffic lights. Standard line losses account for approximately 2% of the total energy delivered to the municipality. Street lighting contribute approximately 3600KWh per annum which equates to approximately 8% (3 600 000kWh) of electricity losses.

#### **Non-technical losses**

Non-technical losses refers to unrecorded electricity delivery. Illegal connections, faulty and incorrect calibration of meters contribute to consumption not being recorded. Additional text

## Appendix A

June 2016

### Schedule of external loans as at 30 June 2010

Loan Number	Redeemable	Balance at Tuesday, June 30, 2015	Received during the period	Redeemed written off during the period	Balance at Thursday, June 30, 2016	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand		
Loan Stock		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
Structured loans		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
Funding facility		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
Development Bank of South Africa		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-

## Appendix A

June 2016

### Schedule of external loans as at 30 June 2010

Loan Number	Redeemable	Balance at Tuesday, June 30, 2015	Received during the period	Redeemed written off during the period	Balance at Thursday, June 30, 2016	Carrying Value of Property, Plant & Equip Rand	Other Costs in accordance with the MFMA Rand
		Rand	Rand	Rand	Rand		
		-	-	-	-	-	-
		-	-	-	-	-	-
<b>Bonds</b>							
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
<b>Other loans</b>							
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
<b>Lease liability</b>							
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
		-	-	-	-	-	-
<b>Annuity loans</b>							
		-	-	-	-	-	-
		-	-	-	-	-	-

## June 2016

### Schedule of external loans as at 30 June 2010

## Government loans

- Loan Stock
- Structured loans
- Funding facility
- Development Bank of South Africa
- Bonds
- Other loans
- Lease liability
- Annuity loans
- Government loans

## Appendix B

June 2016

### Analysis of property, plant and equipment as at 30 June 2012

Cost/Revaluation							Accumulated depreciation						
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

#### Land and buildings

Land (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-
Landfill Sites (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-

#### Infrastructure

Roads, Pavements & Bridges	-	-	-	-	-	-	-	-	-	-	-	-	-
Storm water	-	-	-	-	-	-	-	-	-	-	-	-	-
Generation	-	-	-	-	-	-	-	-	-	-	-	-	-
Transmission & Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-
Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-
Water purification	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage purification	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (fibre optic, WIFI infrastructure)	-	-	-	-	-	-	-	-	-	-	-	-	-
Other 1	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-

#### Community Assets

Parks & gardens	-	-	-	-	-	-	-	-	-	-	-	-	-
Sportsfields and stadium	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming pools	-	-	-	-	-	-	-	-	-	-	-	-	-
Community halls	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreational facilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-
Museums & art galleries	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Social rental housing	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire, safety & emergency	-	-	-	-	-	-	-	-	-	-	-	-	-
Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-

## Appendix B

June 2016

### Analysis of property, plant and equipment as at 30 June 2012

Cost/Revaluation						Accumulated depreciation							
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

#### Heritage assets

Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-

#### Specialised vehicles

Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-

#### Other assets

General vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-
Plant & equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-

## Appendix B

June 2016

### Analysis of property, plant and equipment as at 30 June 2012

Cost/Revaluation							Accumulated depreciation						
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

#### Total property plant and equipment

Land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-

#### Agricultural/Biological assets

Agricultural	-	-	-	-	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-

#### Intangible assets

Computers - software & programming	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-

#### Investment properties

Investment property	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-

#### Total

Land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-



## Appendix B

### Analysis of property, plant and equipment as at 30 June 2011

Cost/Revaluation							Accumulated depreciation						
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

#### Land and buildings

Land (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-
Landfill Sites (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-
Quarries (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-
Buildings (Separate for AFS purposes)	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-

#### Infrastructure

Roads, Pavements & Bridges	-	-	-	-	-	-	-	-	-	-	-	-	-
Storm water	-	-	-	-	-	-	-	-	-	-	-	-	-
Generation	-	-	-	-	-	-	-	-	-	-	-	-	-
Transmission & Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-
Street lighting	-	-	-	-	-	-	-	-	-	-	-	-	-
Dams & Reservoirs	-	-	-	-	-	-	-	-	-	-	-	-	-
Water purification	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-
Reticulation	-	-	-	-	-	-	-	-	-	-	-	-	-
Sewerage purification	-	-	-	-	-	-	-	-	-	-	-	-	-
Transportation (Airports, Car Parks, Bus Terminals and Taxi Ranks)	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing	-	-	-	-	-	-	-	-	-	-	-	-	-
Waste Management	-	-	-	-	-	-	-	-	-	-	-	-	-
Gas	-	-	-	-	-	-	-	-	-	-	-	-	-
Other (fibre optic, WIFI infrastructure)	-	-	-	-	-	-	-	-	-	-	-	-	-
Other 1	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-

#### Community Assets

Parks & gardens	-	-	-	-	-	-	-	-	-	-	-	-	-
Sportsfields and stadium	-	-	-	-	-	-	-	-	-	-	-	-	-
Swimming pools	-	-	-	-	-	-	-	-	-	-	-	-	-
Community halls	-	-	-	-	-	-	-	-	-	-	-	-	-
Libraries	-	-	-	-	-	-	-	-	-	-	-	-	-
Recreational facilities	-	-	-	-	-	-	-	-	-	-	-	-	-
Clinics	-	-	-	-	-	-	-	-	-	-	-	-	-
Museums & art galleries	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Social rental housing	-	-	-	-	-	-	-	-	-	-	-	-	-
Cemeteries	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire, safety & emergency	-	-	-	-	-	-	-	-	-	-	-	-	-
Security and policing	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-

## Appendix B

June 2016

### Analysis of property, plant and equipment as at 30 June 2011

Cost/Revaluation						Accumulated depreciation							
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

#### Heritage assets

Buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-

#### Specialised vehicles

Refuse	-	-	-	-	-	-	-	-	-	-	-	-	-
Fire	-	-	-	-	-	-	-	-	-	-	-	-	-
Conservancy	-	-	-	-	-	-	-	-	-	-	-	-	-
Ambulances	-	-	-	-	-	-	-	-	-	-	-	-	-
Buses	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-

#### Other assets

General vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-
Plant & equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Computer Software (part of computer equipment)	-	-	-	-	-	-	-	-	-	-	-	-	-
Furniture & Fittings	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment	-	-	-	-	-	-	-	-	-	-	-	-	-
Office Equipment - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-
Abattoirs	-	-	-	-	-	-	-	-	-	-	-	-	-
Markets	-	-	-	-	-	-	-	-	-	-	-	-	-
Airports	-	-	-	-	-	-	-	-	-	-	-	-	-
Security measures	-	-	-	-	-	-	-	-	-	-	-	-	-
Civic land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Other buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Other land	-	-	-	-	-	-	-	-	-	-	-	-	-
Bins and Containers	-	-	-	-	-	-	-	-	-	-	-	-	-
Work in progress	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
Other Assets - Leased	-	-	-	-	-	-	-	-	-	-	-	-	-
Surplus Assets - (Investment or Inventory)	-	-	-	-	-	-	-	-	-	-	-	-	-
Housing development	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-

## Appendix B

June 2016

### Analysis of property, plant and equipment as at 30 June 2011

Cost/Revaluation							Accumulated depreciation						
Opening Balance Rand	Additions Rand	Disposals Rand	Transfers Rand	Revaluations Rand	Other changes, movements Rand	Closing Balance Rand	Opening Balance Rand	Disposals Rand	Transfers Rand	Depreciation Rand	Impairment loss Rand	Closing Balance Rand	Carrying value Rand

#### Total property plant and equipment

Land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-

#### Agricultural/Biological assets

Agricultural	-	-	-	-	-	-	-	-	-	-	-	-	-
Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-

#### Intangible assets

Computers - software & programming	-	-	-	-	-	-	-	-	-	-	-	-	-
Other	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-

#### Investment properties

Investment property	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-

#### Total

Land and buildings	-	-	-	-	-	-	-	-	-	-	-	-	-
Infrastructure	-	-	-	-	-	-	-	-	-	-	-	-	-
Community Assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Heritage assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Specialised vehicles	-	-	-	-	-	-	-	-	-	-	-	-	-
Other assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Agricultural/Biological assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Intangible assets	-	-	-	-	-	-	-	-	-	-	-	-	-
Investment properties	-	-	-	-	-	-	-	-	-	-	-	-	-
	-	-	-	-	-	-	-	-	-	-	-	-	-

## Appendix E(1)

June 2016

### Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2010

	Current year 2012 Act. Bal.	Current year 2012 Adjusted budget Rand	Variance Rand	Var	Explanation of Significant Variances greater than 10% versus Budget
	Rand	Rand	Rand		
Revenue					
Sale of goods	-	-	-	-	(Explanations to be recorded)
Sale of goods in agricultural activities	-	-	-	-	
Rendering of services	-	-	-	-	
Rendering of services in agricultural activities	-	-	-	-	
Property rates	-	-	-	-	
Service charges	914,750,788	-	914,750,788	-	
	-	-	-	-	
	-	-	-	-	
Sales of housing	-	-	-	-	
Construction contracts	-	-	-	-	
Royalty income	-	-	-	-	
Rental of facilities and equipment	7,918,135	-	7,918,135	-	
Interest received (trading)	-	-	-	-	
Dividends received (trading)	-	-	-	-	
Agency services	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
Licences and permits	-	-	-	-	
	-	-	-	-	
Municipal Revenue UD1	-	-	-	-	
Municipal Revenue UD2	-	-	-	-	
	-	-	-	-	
	-	-	-	-	
Miscellaneous other revenue	769,797	-	769,797	-	
Administration and management fees received	-	-	-	-	
Fees earned	-	-	-	-	
Commissions received	-	-	-	-	
Royalties received	-	-	-	-	
Rental income	-	-	-	-	
Discount received	-	-	-	-	
Recoveries	-	-	-	-	
Other income 1	9,862,557	-	9,862,557	-	
Other income 2	1,397,723	-	1,397,723	-	
Financial instruments - Fee income	5,261,709	-	5,261,709	-	
Other income - (rollup)	-	-	-	-	
Other farming income 1	-	-	-	-	
Other farming income 2	-	-	-	-	
Other farming income 3	-	-	-	-	
Other farming income 4	-	-	-	-	
Other farming income	-	-	-	-	
Other income 3	-	-	-	-	
Interest received - investment	19,444,828	-	19,444,828	-	
Interest received - other	3,120	-	3,120	-	
Dividends received	-	-	-	-	
	959,408,657	-	959,408,657	-	

## Appendix E(1)

June 2016

### Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2010

	Current year 2012 Act. Bal.	Current year 2012 Adjusted budget	Variance	Explanation of Significant Variances greater than 10% versus Budget
Expenses				
Personnel	(484,375,089)	-	(484,375,089)	-
Manufacturing - Employee costs	-	-	-	-
Remuneration of councillors	(18,453,107)	-	(18,453,107)	-
Administration	-	-	-	-
Transfer payments	-	-	-	-
Depreciation	(445,536,951)	-	(445,536,951)	-
Impairment	-	-	-	-
Amortisation	-	-	-	-
Impairments	(2,590,041)	-	(2,590,041)	-
Reversal of impairments	-	-	-	-
Finance costs	(66,141,054)	-	(66,141,054)	-
Bad debts written off	(230,354,860)	-	(230,354,860)	-
Collection costs	(19,792,327)	-	(19,792,327)	-
Repairs and maintenance	-	-	-	-
- Manufacturing expenses	-	-	-	-
Repairs and maintenance	(87,074,893)	-	(87,074,893)	-
- General	-	-	-	-
Repairs and maintenance	-	-	-	-
- General	-	-	-	-
Bulk purchases	(513,530,461)	-	(513,530,461)	-
Contracted Services	(78,718,438)	-	(78,718,438)	-
Transfers and Subsidies	-	-	-	-
Cost of housing sold	-	-	-	-
General Expenses	(267,170,144)	-	(267,170,144)	-
Other (taken out of General expenses)	-	-	-	-
Other (taken out of General expenses)	-	-	-	-
Other (taken out of General expenses)	-	-	-	-
Other (taken out of General expenses)	-	-	-	-
Other (taken out of General expenses)	-	-	-	-
Other (taken out of General expenses)	-	-	-	-
	,213,737,365)	-	,213,737,365)	-
Other revenue and costs				
Gain or loss on disposal of assets and liabilities	39,077,446	-	39,077,446	-
Gain or loss on exchange differences	-	-	-	-
Fair value adjustments	-	-	-	-
Gains or losses on biological assets and agricultural produce	68,746,810	-	68,746,810	-
Income from equity accounted investments	-	-	-	-
Gain or loss on disposal of non-current assets held for sale or disposal groups	(78,052,893)	-	(78,052,893)	-

**Appendix E(1)**

June 2016

**Actual versus Budget(Revenue and Expenditure) for the year ended 30 June 2010**

	<b>Current year 2012 Act. Bal.</b>	<b>Current year 2012 Adjusted budget</b>	<b>Variance</b>	<b>Explanation of Significant Variances greater than 10% versus Budget</b>
Taxation	-	-	-	-
Discontinued operations	-	-	-	-
	29,771,363	-	29,771,363	-
Net surplus/ (deficit) for the year	,224,557,345)	-	,224,557,345)	-

**Appendix F**  
**Disclosures of Grants and Subsidies in terms of Section 123 MFMA, 56 of 2003**  
 June 2016

Name of Grants	Name of organ of state or municipal entity	Quarterly Receipts					Quarterly Expenditure					Grants and Subsidies delayed / withheld					Reason for delay/withholding of funds	Did your municipality comply with the grant conditions in terms of grant framework in the latest Division of Revenue Act	Reason for noncompliance
		Mar	Jun	Sep	Dec	Mar	Mar	Jun	Sep	Dec	Mar	Mar	Jun	Sep	Dec	Mar		Yes/ No	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-		No	
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			
		-	-	-	-	-	-	-	-	-	-	-	-	-	-	-			

Note: A municipality should provide additional information on how a grant was spent per Vote. This excludes allocations from the Equitable Share.